

EUROPEAN NEWS

FRESH TENSION BETWEEN SERBS AND ETHNIC ALBANIANS

Kosovo anniversary sparks alert

By Laura Silber in Pristina

TANKS and thousands of heavily armed police are marking the first anniversary, falling today, of the constitutional amendments which brought Kosovo, with its predominantly ethnic Albanian population, under Serbian control.

The amendments, which gave Yugoslavia's largest republic the final say over the province's judiciary, police, national defence and political patronage policy, sparked riots. Between March 27 and 29 last year, 22 Albanians and two policemen were killed.

A year on, tensions between the Albanians and Serbs are again aflame. Serbs have taken up arms to defend themselves and claim they are being chased out of their homeland. Albanian passions were reignited last week by a mysterious illness affecting only Albanians.

On Saturday Serbia announced that it was taking over Kosovo's police after ethnic Albanians attacked Serbs, sacking 200 ethnic Albanian officers on the grounds of complicity in the attacks and bringing in 100 of its own men. The Yugoslav army, already in Kosovo for over a year, has deployed additional units in the province.

Since the amendments were adopted, Serbia has waged a policy euphemistically named differentiation, in fact a purge of

all "nationalist" Albanians throughout Kosovo, from the Government to the university. Yugoslavia's economic problems are also producing redundancies, acutely felt in under-developed Kosovo and seen by Albanians as politically motivated.

Albanians took to the streets again on January 24 this year after the break-up of the Yugoslav Communist Party Congress, demanding democracy and the resignation of the province's Serbian-controlled leadership. The unrest spread rapidly, paralysing Kosovo for the next few weeks. At least 28 ethnic Albanians were killed by police during the riots. There were no confirmed reports of army involvement.

The political climate has changed dramatically over the past year. Mr Ibrahim Rugova, a prominent Albanian intellectual whose arrest seemed imminent nine months ago, is now president of the Democratic League of Kosovo, which claims 350,000 members. Meanwhile, the local Communist Party rolls have dwindled to about 80,000, mostly Serbs.

The opposition, like those killed in demonstrations, has acquired heroic status among Albanians. After the unrest in January, when the opposition appealed for calm, tension waned only to peak with the mysterious illness.

A Yugoslav federal commission said it had found no evidence of mass poisoning or infectious disease. A Dutch doctor visiting Kosovo with the International Helsinki Federation for Human Rights, said: "I'm not saying the first few patients weren't poisoned, but the symptoms are now verging on mass hysteria."

The patients have largely been discharged but rumours still abound about the cause of the illness. Mr Jusuf Buxhovi, the vice president of the Democratic League, said, "I would only believe the results of a foreign commission." When the "poison" scare broke, bands of Albanians brutally attacked Serbs in two Kosovo towns.

Kosovo's Serbs prepare for the holiday and worry that there will be trouble. The Albanian opposition issued a joint statement today appealing for Albanians "to commemorate the victims of last year's brutality with silence," at home or work, from noon to 2pm.

If the day passes without violence, it will be a testament to its growing control over fellow Albanians. But, even so, the peace and security that Serbian President Slobodan Milosevic promised through the constitutional amendments on March 28 last year seem more remote than ever.



A Yugoslav soldier searches a car as part of action to avert violence in Kosovo

Row over Bonn coal subsidies set to intensify

By David Goodhart in Bonn and Lucy Kellaway in Brussels

WEST GERMANY'S argument with the European Community over coal subsidies is likely to intensify after the publication yesterday of the first draft of an official Bonn report recommending only a slight reduction in subsidies after 1994.

The majority on the government commission concluded that 55m tonnes of coal per year (for power stations and steelworks) should continue to be heavily subsidised. A minority report, which may be a more accurate reflection of government thinking, suggested 35m-40m tonnes.

The commission's overall recommendation will disappoint liberal opinion in both Bonn and Brussels, especially as some leading businessmen in the energy industry had spoken up for reducing protected coal production to only 30m tonnes per year.

Currently about 72m tonnes a year are produced in West Germany pits at a cost of about DM10bn (\$3.6bn) in subsidies a year to electricity consumers and the Government. Most of that is covered by the *Jahressteuer* under which German utilities agree to buy domestic coal on the understanding that they can charge customers the difference between domestic and world market prices.

Total production is due to fall to 65m tonnes by 1994, but the EC wants corresponding subsidies to fall even faster. Earlier this month the European Commission told West Germany to cut its surcharge to electricity consumers by DM1bn over two years in the light of Bonn's refusal to drop its legal action in connection with the dispute.

The Commission, which has been accused of taking too soft a line with West Germany, will discuss the whole issue of European coal subsidies next week.

The Bonn commission majority report also recommended that the Government should carry the subsidy costs directly after 1994. These, it said, should be less than DM50m per year.

Hungarian party meets to choose electoral ally

By Nicholas Denton in Budapest

THE leadership of the Hungarian Smallholders Party meets today to choose its ally for the second round of parliamentary elections on April 8 after the first round appeared to give it the balance of power.

The final result in 171 local constituencies, which elect nearly half of the total 385 parliamentary seats, remains to be decided in the second round run-off.

There have been delays in processing the election results. But so far the returns from the country's first free national polls since November 1945 have given a clear lead to the centre-right Hungarian Democratic Forum, followed closely by the liberal Alliance of Free Democrats.

Although the Smallholders Party performed unexpectedly poorly in last Sunday's vote, it is the only party willingly considered as a coalition partner by either of the two big parties. Unless the leaders of these two parties put aside their sharp differences, neither the Forum nor the Free Democrats

EAST European economists gathered in Helsinki yesterday for a two-day symposium to discuss economic reform and the treatment of debt in their countries, writes Eudokia Tassler.

The meeting was held under the auspices of the World Institute for Development and Economic Research (WIDER), a UN institute based in Helsinki. It was attended by Harvard Professor Jeffrey Sachs, who has been advising eastern European countries on reform.

can form a government without the Smallholders.

A deal between the Smallholders and the Free Democrats could remove the advantage which the Forum has gained on the first round.

The Forum is running in first place in many rural seats. An agreement between the other two parties not to compete against each other could therefore make sense.

Airports group hits at capacity constraints

By Paul Abrahamson

GROWTH IN European air travel is threatened by capacity constraints, warns the International Civil Airports Association (ICCA).

It expects traffic at Europe's 27 largest airports to grow from 368m passengers in 1989 to more than 677m by the year 2005. To meet this growth, the airports are planning to invest at least Ecu22.5bn (\$31bn) in new facilities, but these must first be approved by national and local authorities.

Airports are constrained by government restrictions on investment, even if new capacity is commercially and financially viable, says the Association.

Another constraint is public concern about aircraft noise. The ICCA is urging the European Community, the European Civil Aviation Conference and the International Civil Aviation Organisation to ban noisy Schedule 2 aircraft by a date sufficient to calm public fears. It says a date next century is insufficient.

Cheap labour fear after EC court ruling

By Tim Dickson in Brussels

THE European Court of Justice yesterday upheld the right of a Portuguese construction company to carry out subcontract work on French soil using its own employees, in a ruling with far-reaching implications for migrant labour in the EC.

Brussels officials immediately expressed surprise at the decision, pointing out that it might encourage a new flow of cheap labour from Spain and Portugal into northern states.

The case was brought by Rush Portuguesa against the French National Immigration

Office for trying to impose penalties on the use of foreign employees. It hinged on a section of the Rome Treaty guaranteeing freedom to provide services, and the articles of the Accession Treaty for Spain and Portugal which limit application of the free circulation of workers principle until the beginning of 1993.

Yesterday's verdict said that companies providing services in another member state were entitled to bring their own employees with them. They would be discriminated against

in relation to competitors in the "host" country if restrictions were placed upon them, it said.

However, the court made clear that the freedom of companies did not extend to employees who might subsequently try to join the local labour market on a permanent basis, and that companies set up specifically with this object would not be covered.

In another important caveat, the judges said member states were entitled to extend their own legislation, or collective work agreements concluded between the social partners, to every person carrying out paid work on their territory, even where it is temporary, and regardless of where the employer is established.

The European Commission yesterday announced a new proposal aimed at protecting "outside" workers in the nuclear industry from the effects of radiation. It wants to reinforce protection for employees of nuclear installations who carry out occasional activities there.

work agreements concluded between the social partners, to every person carrying out paid work on their territory, even where it is temporary, and regardless of where the employer is established.

The Commission has now told Peugeot that it must allow its dealers to supply Ecoystem with up to 1,200 cars a year - the level of Peugeot sales before the ban was enforced - while it carries out a detailed investigation.

The Commission said yesterday it was attaching great importance to the inquiry,

which is being seen as a test of its willingness to encourage price competition in the car market. Consumer groups have complained that prices are moving further apart.

Peugeot argued that Ecoystem was acting as a reseller and was therefore breaking the company's exclusive agreements with its dealers.

Brussels tells Peugeot to drop car ban

By Lucy Kellaway in Brussels

THE European Commission has taken action against Peugeot, the French motor company, for preventing its dealers selling Peugeot cars to a company which shops around for the cheapest deals in Europe.

The action follows widespread concern at the large differences between car prices in Europe, and at the actions

which manufacturers and distributors are taking in order to keep their markets segregated.

Last May Peugeot wrote to its agents in Belgium and Luxembourg ordering them to stop selling to Ecoystem, a company which imports cars for private French consumers taking advantage of the wide price gap in different countries.

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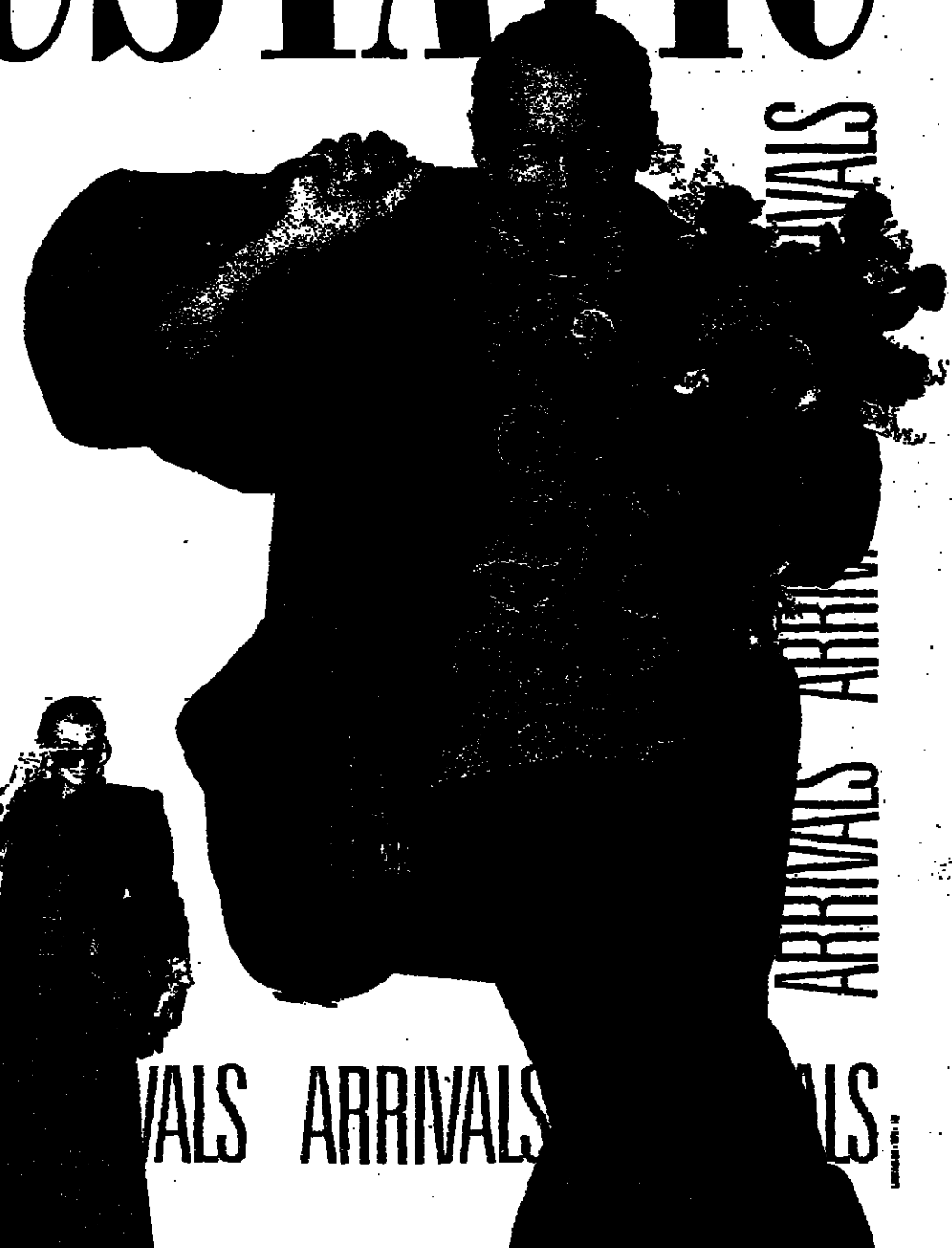
Peugeot argued that Ecoystem was acting as a reseller and was therefore breaking the company's exclusive agreements with its dealers.

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AIR
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E German jobless may reach 2m

By David Marsh in Bonn

BONN GOVERNMENT officials say unemployment in East Germany may approach 8m after economic and currency union between the two Germanys, although they hope that many people will quickly find new jobs after industrial restructuring.

Bonn acknowledges studies showing that hidden unemployment in East Germany could already be around 2m.

The Government believes most of these people will therefore come on the labour market once East Germany moves to a market-oriented economy.

Calling the economic problems faced by East Germany "frightful," one official says that mass lay-offs will occur in the first six months after currency union, likely to be in place by the summer.

The Chancellor knows that the opposition Social Democrats will be making considerable political capital out of the unemployment.

"The crucial question is how long unemployment will last," the official says, adding that new jobs will be created fairly quickly in the services area and in joint ventures with

By Peter Marsh

The average Soviet hospital spent only 15 per cent of its budget on equipment, compared to between 40 and 80 per cent for hospitals in the West.

case for a deferment of all payments due to them this year.

Poland cut servicing of its \$3.1bn western bank medium-term loans to just 10% in 1989. In 1990 bank to 15 per cent of the amount falling due, leaving arrears worth \$14km. Another \$280m worth of interest payments fall due this year and so far have gone unpaid. At present Poland is only servicing \$1bn worth of short-term trade credits and new bank loans.

An IMF team is in Warsaw at the moment reviewing the programme. It says that money printing has slowed and inflation has slowed and is probably back to single figures this month, against a background of a 35 per cent drop in industrial sales and a hard currency trade surplus running at over

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WORLD TRADE NEWS

Smugglers tumble with the trade barriers

Liberalisation everywhere is taking the black out of the market, writes John Barham

TRADE liberalisation is slowly killing off smuggling of everything except weapons and drugs in many parts of the world - including South America, where contraband used to be one of the region's few growth industries.

Often, smugglers are polished, multilingual businessmen. One *contrabandista* operates out of luxurious offices in a leafy suburb of São Paulo, Brazil's business capital. His headquarters are guarded by surveillance cameras, electronic locks and steel doors. Once inside, the service is courteous and friendly. Delivery is quick and reliable. But the *contrabandista* politely but firmly refuses to discuss his business.

Billions of dollars in unrecorded, untaxed trade still flow across the region's long and permeable frontiers every year, despite efforts by many governments to reduce smuggling by attacking its causes - high taxes, unrealistic exchange rates and virtually insurmountable trade barriers.

Chile and Bolivia were the first to adopt free trade, followed last year by Paraguay and now by Brazil. Brazilian President Fernando Collor de Mello has abolished many import barriers and allowed the currency to float. The country once had the world's

most protected economy and was the focus of the Latin America's contraband trade.

Mr Antonio Carlos Portinari, director of Brazil's customs service, said the reforms would probably not stop smuggling. "Import tariffs are still very high and I believe that smuggling will continue to be a serious problem."

He said duties were as high as 80 per cent on some products. Furthermore, freer trade may yet be blocked by Congress, which must still approve President Collor's emergency economic reforms.

Most smuggled goods are innocuous: consumer goods, machine tools, even scientific equipment. But smugglers also deal in drugs, stolen goods and endangered species.

Brazil's clandestine trade last year was at least \$5bn, equivalent to 10 per cent of recorded trade. Companies also under-reported exports or over-reported imports to the tune of \$1bn. Alvaro Zúñi, a São Paulo University economics professor, found that companies paid for contraband imports out of illegal dollar balances amassed in offshore bank accounts by doctoring trade documents and fiddling exchange transactions.

Much of this trade will wither away now that the Brazilian cruzeiro's value is established by market forces. Last

year, the central bank, which used to establish the exchange rate by decree, allowed the currency to become massively over-valued. That made legal exports uncompetitive and encouraged exchange fraud and smuggling.

Smuggling on an industrial scale demonstrated the failure of import substitution as a development strategy. By some

Smugglers are said to have brought in mainframe computers, TV studio equipment, aircraft engines, and computer chips

estimates 40 per cent of Brazil's personal computers were smuggled in because the law still "reserves" the local market for uncompetitive Brazilian makes.

In the past, smugglers are said to have brought in anything from mainframe computers (for use by the intelligence services), to TV studio equipment, aircraft engines and untold quantities of computer chips and spare parts.

The *contrabandistas'* quick, efficient and reasonably honest service contrasts dramatically

with plodding and corrupt bureaucracies. A senior Bolivian official said: "In a way, the *contrabandistas* are real capitalists and contraband is a truly free market."

Smuggling is easy. Brazil's customs service has only 3,000 officers (European countries tend to have at least three times that number). Rio de Janeiro International Airport has eight unguarded entrances. There are no inspectors on permanent duty at seaports. Like most Latin American trade officials, they are badly paid and easily corrupted.

Paraguay and Bolivia have grown into offshore banking centres, free trade zones and duty free shopping centres to service the Brazilian and Argentine underground economies. They would be expected to be the first to suffer with a decline in smuggling. But deregulation has the virtue of ridding trade of much of its criminal element and beefing up Treasury revenues.

Paraguay, for generations the continent's contraband clearing house, liberalised its trade and exchange regulations in 1989 after the fall of Dictator Alfredo Stroessner. Recorded exports immediately doubled to \$1.65bn, indicating that smugglers shipped \$500m-worth of goods in 1988 - without paying a penny in taxes. Much of the illicit trade in

commodities is likely to vanish as exchange rates are brought in line with market realities. Smugglers shipped at least \$300m-worth of commodities, plus \$2bn in gemstones out of Brazil last year, simply because the street value of the Brazilian currency slipped to almost a third of the official rate.

Farmers smuggled crops and prospectors smuggled minerals - in particular tin - to evade local taxes and to cash in on the big gaps between official and black market exchange rates.

It is still difficult to operate a company efficiently in many South American countries without occasionally resorting to smuggling, thus making criminals of honest citizens. Smuggling exposes companies to protection rackets and blackmail from their employees. That probably explains why smuggling of machine tools and computers is not more widespread in a country as industrialised as Brazil.

Although the vogue for liberalisation and deregulation is catching on in South America, it probably will not spell the end of smuggling. Governments are unlikely to resist the temptation to meddle in markets. And Latin America's fascination with red tape most certainly will not vanish overnight.

US to let Japan build Sparrow missiles

JAPAN and the US exchanged notes yesterday allowing Japan to make an improved version of the US Sparrow missile system under licence, Defence Agency officials said, AP reports from Tokyo.

Japan's Air Self-Defence Force will use the improved AIM-7M missile system to arm its F-15 jet fighters and other aircraft types, a Defence Agency official said.

The new, more reliable missile will replace the AIM-7F missile system currently in Japan, he added. The official refused to provide other details, including the number of missiles to be made in Japan.

Mr Taro Nakayama, Japan's Foreign Minister, and US Ambassador Mr Michael Armacost exchanged the notes on acquisition and production of the AIM-7M Sparrow missile system, developed by Raytheon, of Lexington, Massachusetts.

The system will be produced in Japan by a group of companies, with Mitsubishi Electric as main contractor.

Japan's Air Self-Defence Force now maintains 112 US-designed F-15 fighters, most of them built in Japan under licence.

Canada car parts 'face threat from US and Mexico'

By Bernard Simon in Toronto

CANADA's car parts makers face a severe threat from low-cost plants in the south-east US and Mexico, according to an extensive study on the future of the C\$14bn (\$6.5bn) a year industry.

The study, conducted by management consultants Booz Allen & Hamilton and Piliro Research Associates for the Automotive Parts Manufacturers Association of Canada, says over half the car parts makers surveyed with factories in Ontario favour other areas for their next investment, with 88 per cent most interested in the US.

Following moves to create a North American free trade area, to include Mexico, Canada and the US, such conclusions have far-reaching implications for many other sectors of the Canadian economy, which share the disadvantages of the parts suppliers.

The study, which analysed 77 plants in the US and Canada, says the Canadian industry has put off much of the restructuring necessary to ensure competitiveness over the next 10 years. "To the extent that certain Canadian auto parts manufacturers are

focused on lower-technology parts and components, they are susceptible to increasing competition from developing countries, especially Mexico," the report says.

Little of the recently-developed high-technology parts, such as electronic controls, anti-injection systems and anti-lock brakes, are being sourced from plants in Canada.

The study catalogues complaints from Canadian suppliers, including high labour turnover, costs of meeting pension and workers' compensation rules, and availability of support services. Canadian production equipment is an average three years older than plant in the US.

While the industry's labour costs in Ontario average C\$17.35 an hour, the equivalent rate in new US plants is C\$13.95, and in Mexico only C\$11.60. But Canadian plants spend almost three times as much as US facilities on training. US and Canadian suppliers had delivered-cost disadvantages of 5-24 per cent on certain parts compared with Mexico and other developing countries, the study adds.

Balfour Beatty may join Turkey motorway project

By Jim Bodgener in Ankara

MOTORWAY construction work in south-west Turkey valued at \$400m (£235m) will probably be awarded to a venture of the Turkish contractor Kates with Balfour Beatty of the UK in April, pending negotiations, Turkish government officials say.

The contract would be exclusively financed by Turkey rather than by export credits, they added. But the UK company says it is not involved at this stage.

The contract would be for the 125 kms between Aydin and Denizli of a motorway running inland from Izmir to Turkey's Aegean hinterland.

The venture was first selected over four years ago when Turkey began talks for seven major motorway sections. But the Trans-Anatolian route from Bulgaria to Ankara took priority, although the venture was awarded a section of the latter worth \$70m

between Gumusova and Gerede, on which it is currently working.

This time, the contractor would receive 55 per cent payment on completion in local currency, with the rest in five annual instalments.

AP-DJ reports from Tokyo: Toyota, Japan's biggest car-maker, has filed an application with Turkey to start car production there, together with two other companies - Hacı Ömer Sabancı Holding, and Mitsui, the Japanese trading house.

The three plan a new company to make 1,500-cc cars in Turkey. To be tentatively capitalised at \$150m, it would be owned 40 per cent by Toyota, 50 per cent by Sabancı, and 10 per cent by Mitsui. The plan calls for output of 20,000 cars a year, starting early in 1993, rising to 100,000 a year, including cars and commercial vehicles. The three plan to invest \$250m.

Japanese ruled out of Taipei bids

TAIWAN will allow European and US companies to bid for the supply of trains for the new Taipei underground system but Japanese companies are to be excluded, Peter Wickenden reports from Taipei.

Taiwan's trade deficit with Japan increased by 14 per cent to \$8.96bn (\$4.1bn) last year, and officials fear it could rise to \$9bn this year and \$10bn by 1993. Mr Frederick Chien, chief economic planner, said the Government had therefore tentatively decided to exclude Japan from the bidding for a second batch of electric trains worth around \$190m.

In 1988, the cabinet decided to limit the bidding for 44 trains to US companies after US pressure on Taiwan to reduce its bilateral trade surplus.

S Korea bans TV sets from Japan

South Korea has added large colour TV sets, water pumps and 16 other items to goods not allowed to be imported from Japan, trade ministry officials said. Our World Trade Staff writes. Seoul dropped carbon blacks, an ingredient for ink, and 31 other items from the list which now has 258 items.

Seoul urged to end restrictive practices

Mr Frans Andriessen, EC External Affairs Commissioner, yesterday urged South Korea to end restrictive trade practices and improve protection of intellectual property rights. John Ridding reports from Seoul.

At the inauguration of the EC delegation in Seoul, Mr Andriessen said that, while he appreciated "the courageous measures taken to correct Korea's trade imbalances", import duties remained on average three times higher than the Community's and non-tariff barriers still impeded market access.

The deal, announced yesterday by Mr Tuncer Atilgan, Transportation Minister, also includes an offset investment programme by Airbus.

The aircraft will be used by THY in its next stage of route expansion overseas in a strategy now aimed at hard currency earnings from external routes, rather than internal services.

Already targeted for the new aircraft are routes to New York and Tokyo, while others are being considered in the Far East and the Americas.

Turkey to stick with Airbus

By Jim Bodgener in Ankara

THE Turkish government has decided to stick with Airbus Industrie in the next fleet purchases planned for the state-flag carrier Turk Hava Yolları (THY - Turkish Airlines), with an order announced today for five A-340-300s valued at upwards of \$500m (£294m).

The first three aircraft will be delivered to THY in the first half of 1993, and the fourth and fifth in 1993 and 1997 respectively.

Apart from these firm orders, options have been taken out for another five aircraft for delivery in 1993 and 1993.

This means that Airbus has once again beaten off fierce competition to secure the major component of THY's fleet standardisation plans. Its main competitors were McDonnell Douglas with its MD-11, and Boeing with the 747-400.

Starting in the early 1980s, THY has ordered a total of 14 Airbus 310s, of which the last will be delivered next year.

However, in doing so it has also incurred a debt of around \$1bn, instrumental in persuading the airline in the last two purchases to opt for lease rather than straight credit financing.

Financing terms for the A-340s are likely to be decided nearer delivery, according to senior THY officials.

Although the airline paid out around \$420m in external debt servicing for aircraft and spares last year, of which \$140m was for Airbus repayments, 1989 was the peak for its current foreign debt servicing schedule.

Overall, for its long-term purchasing plans, THY expects to spend around \$2bn-\$2.5bn on a total of 32 aircraft.

The deal, announced yesterday by Mr Tuncer Atilgan, Transportation Minister, also includes an offset investment programme by Airbus.

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AMERICAN NEWS

Collor forced to drop emergency police powers

By John Barham in São Paulo

PRESIDENT Fernando Collor de Mello of Brazil has bowed to intense political pressure by withdrawing the two most controversial items of his emergency anti-inflation policy, which granted the police sweeping powers to enforce economic controls.

To public glee, police arrested bank managers, owners of a supermarket chain and briefly detained directors of the country's leading newspaper, Folha de S. Paulo. The newspaper unleashed a vitriolic campaign against the government, comparing Mr Collor with Benito Mussolini.

However, Mr Aristides Junqueira Alvares, head of the public prosecutor's department and chief constitutional watchdog, showed the measures to be unconstitutional. They allowed suspects to be remanded in custody, although the laws they are accused of infringing have yet to be passed by Congress.

The measures, designed to crack down on tax evasion, abuse of economic power and formation of cartels are to be submitted to Congress again as conventional bills. The previ-

ous government of Mr José Sarney attempted several times to introduce similar legislation, but failed to obtain a majority.

Mr Collor's decision to withdraw the two measures yesterday was praised by observers, worried about the package's authoritarian shading. Mr Stevaldo Dias, a columnist, wrote: "This episode holds some good democratic lessons. Collor saw that the measure gave excessive powers to the police and that this is dangerous."

Mr Collor said the withdrawal did not represent a political defeat. He has repeatedly stated that his anti-inflation policies should not be altered. Congress has until mid-April to approve, rewrite or reject the entire body of his economic reforms. Until then, they do not have full force of law.

Many of the 3,000 amendments are aimed at relaxing the central bank's grip over savings. Legislators are also expected to fight back to curb the President's proposal for privatisation en masse of federally-owned companies.

Arms spending cuts put the market into forces

Manufacturers are facing more competition — not all of it open, write David White and Lionel Barber

FOR THE fourth time since the Second World War, the US is scaling down its spending on arms — gradually so far, but inevitably. Armsament industries in allied countries are looking on with apprehension.

Intended US reductions are not only a preview of things expected to come in Europe. They will also have a direct impact on four aspects of their business:

- Their access to the US market.
- Transatlantic collaboration.
- Competition from US companies in Europe.

• Competition for the remaining growth markets in Asia. In the latter two areas the implication is clear: a more aggressive approach by US companies, for whom exports are no longer just icing on the cake. But the consequences for foreign contractors' direct dealings with the US are murkier.

On an official level, the US is seeking freer arms trade between allies and increased collaboration, both to share the development cost of new weapons and to provide a more standardised western armory. But the oneness are not all good.

Collaboration has produced a catalogue of recent mishaps. Britain dropped out of a joint sea mine programme with the US. The US and the UK together scuttled an international project for conventional-



McDonnell Douglas/British Aerospace AV-8B Harrier jump jets: a success story amid the failures

ly-armed "stand off" missiles launched from aircraft. Britain pulled the plug on an eight-nation North Atlantic Treaty Organisation frigate, followed eventually by the rest of the European partners.

Plans for short-range and medium-range air-to-air missiles have run into trouble, especially the British-led short-range project, which risks being too late to meet the US requirement. British officials admit that Britain now has a "less than perfect name" in Washington as a co-operative ally.

Mr William Taft, the US ambassador to Nato, formerly deputy Defence Secretary, warned earlier this month: "International co-operative arms programmes have been

falling at an alarming rate — and it seems that transatlantic programmes are especially vulnerable. There is a real danger of the two sides of the Atlantic relationship closing each other off."

Successful programmes such as the McDonnell Douglas/British Aerospace AV-8B Harrier jump jet are already "mature". A 1985 contract for Thomson-CSF of France and its US partner GTE for battlefield communications worth \$4.3bn, the biggest US army order ever opened to foreign competition, is virtually at an end.

There are still joint projects moving ahead, including a guided warfare for multiple-launch rockets and, rather more slowly than foreseen, the US Navy's T-45 version of

Bae's Hawk jet trainer. But hopes that the US might find a requirement for the Anglo-German-Italian Tornado aircraft — for anti-radar missions — have faded.

Other possibilities — a super-sonic successor to the Harrier, a new main armament for tanks — are still far off.

Problem issues are the volume of reciprocal purchases attached to US export contracts — in the case of the UK's Boeing/Westinghouse Awacs early-warning aircraft, promised offsets were 150 per cent of the contract value — and the level of technology transfer the US allows.

Congressional resistance to sharing technology produced long and bitter wrangling over Japan's FSX fighter project.

based on the F-16. Final agreement between General Dynamics and Mitsubishi was signed only last month, two years after the joint project was announced. Further problems are expected as Japan builds up its defence and aerospace industries.

European companies fear a groundswell of protectionism in the US as defence jobs in many states come under threat and senior US defence officials warn that pressures may increase. Allied governments are counting on Pentagon support to resist attempts to introduce "buy American" clauses in US legislation.

The Pentagon, however, says protectionism is "a two-way worry". Eyebrows were raised by the way Britain ensured that a Ferranti-designed radar should be adopted for the European Fighter Aircraft project rather than a version of a US Hughes radar.

Foreign companies are by no means all gloomy about their prospects in the US. But they have rarely sold whole weapon systems. Most sales are through subcontracts. Smiths Industries, for instance, the British avionics company, does about half its business in the US. "Prime" contracts for weapon platforms are another thing. And strategic weapons are definitely out of bounds.

There is also a limit on what

defence companies can sell in the US without a US production base. GEC-Marconi of the UK, which annually exports several hundred million dollars worth directly to the US, has in the last three years become an important US manufacturing group with 5,000 employees, including the US subsidiaries of its former UK rival Plessey.

Matra of France bought a foothold through the former space and defence electronics division of Fairchild Industries last year and has been among companies eyeing Ford Aerospace. But enthusiasm about defence acquisitions in the US has been jaundiced by Ferranti's experience with International Signal and Control, which brought the UK company to its knees. US security rules make it hard for foreign owners to keep a close watch on their offshoots' business.

Attitudes also vary according to country of ownership, with Canada and the UK relatively favoured, compared with West Germany, for instance.

But any foreign company, according to one seasoned executive, is working against the odds. "If you have the best product at the lowest price and it is not in a super-sensitive area, then you stand a good chance."

This is the last article in a three-part series that began on Monday.

Higher taxes to fund Chile social projects

By Leslie Crawford in Santiago

CHILE'S new civilian government and the main right-wing opposition party have agreed a package of tax reforms that will allow President Patricio Aylwin to fulfil his election pledge to spend more on social projects.

Under the deal, corporate income tax will be raised from 10 per cent to 15 per cent from 1991 to 1994, after which it will return to 10 per cent. Value added tax will also be raised by 2 percentage points from 18 per cent and personal income tax rates will be increased for those in the higher income brackets.

The tax increases are expected to generate an additional \$500m a year and will be earmarked for a new "social fund". Mr Alejandro Foxley, the Finance Minister, said it would be used for improving pensions, family benefits, school meals, health, youth employment schemes, sub-

sided mortgages and combating pollution in Santiago.

The reforms are central to the new Government's aims to address social needs ignored by the previous military regime while avoiding the errors of new democratic governments in Argentina and Peru. These rushed to improve wages and social services only to find fiscal deficits and inflation forcing them into steep recessions.

President Aylwin's coalition of Christian Democrats and Socialists began negotiating the tax package with opposition parties, business groups and trade unions before it took office on March 11. As well as underscoring President Aylwin's wish to rule by consensus, the backing of the National (RN), the main conservative party, will ensure a smooth passage through Congress when the reforms are presented for approval next week.

Surinam rebel leader arrested

Mr Ronnie Brunswijk, the leader of an anti-government rebel movement in Surinam, has been arrested by the police in Paramaribo, the capital of the Dutch-speaking republic in north eastern South America, Caute James reports from Kingston.

Mr Brunswijk, who was in Paramaribo for a new round of talks on ending a three and a half year insurgency of Bush Negroes, descendants of runaway slaves in the east of the country, has been detained on charges with drug trafficking.

The rebels and their leaders have not been persuaded to lay down their arms despite the decision of the military government to hand over to an elected civilian administration.

Two policemen and two of Mr Brunswijk's rebels were killed in a savage gun battle at the time of his arrest.

Cuba jams US TV station

Television Martí, a US-funded news and entertainment station based in Florida, beamed signals to Cuba for the first time yesterday and the Cuban government said it jammed the broadcast after just 10 minutes, Reuters reports from Havana.

An official Cuban statement said Washington might be using the broadcasts to seek an excuse to launch a military invasion.

TV Martí showed three hours of Spanish-language programming that included music video clips, a situation comedy, baseball highlights and a travelogue about New Mexico, a Voice of America (VOA) official in Washington said.

The battle of the airwaves is one of the last fronts of the Cold War and represents the latest clash in the hostile relationship between the US and Cuba that began shortly after Fidel Castro led a left-wing revolution that took Cuba in 1959.

Unions in Mexico pose fresh challenge

By Richard Johns in Mexico City

NO LESS than 121 Mexican organisations have joined together to form a new trade union federation aimed at fighting for workers' constitutional rights, including the right to bargain collectively and strike. The move is a challenge to the Mexican Government's attempts to control labour dissidents.

Revolt against domination by the ruling Institutional Revolutionary Party through the Confederation of Mexican Workers (CTM) and its ageing and faithful leader Mr Fidel Velasquez crystallised at the weekend with the formation of the United Union Front in Defence of the Workers and the Constitution.

A trigger-point in what could be a serious confrontation has been the six-week strike by 5,200 workers at the Cervecería Modelo brewery in Mexico City. The strike has been declared "illegal" by the Federal Council for Conciliation, a body regarded as subservient to the Government.

Leading the front is the Confederation of Revolutionary Workers (COR) whose secretary-general, Mr José de

Jesus Perez, said he had sent a message to President Carlos Salinas de Gortari stressing the need for dialogue and national unity, "but not to the detriment of the well-being of the majority".

The Government, desperate to reassure foreign investors but increasingly needed by criticism of the country's lack of respect for democratic procedures, is bound to be embarrassed by the setting up of an organisation opposed to the CTM and its manipulation of "strategic" unions.

The COR tried to take over union representation at Ford's plant at Cuautitlan where there was a five-week work stoppage earlier this year after CTM thugs entered the plant and beat up protesters, killing one and severely wounding several others.

The left-wing opposition led by Mr Cuauhtémoc Cárdenas's Party of the Democratic Revolution is not alone in supporting union freedom. The Jesuit order of the Roman Catholic church has emerged as a strong critic of the Government's violation of union rights.

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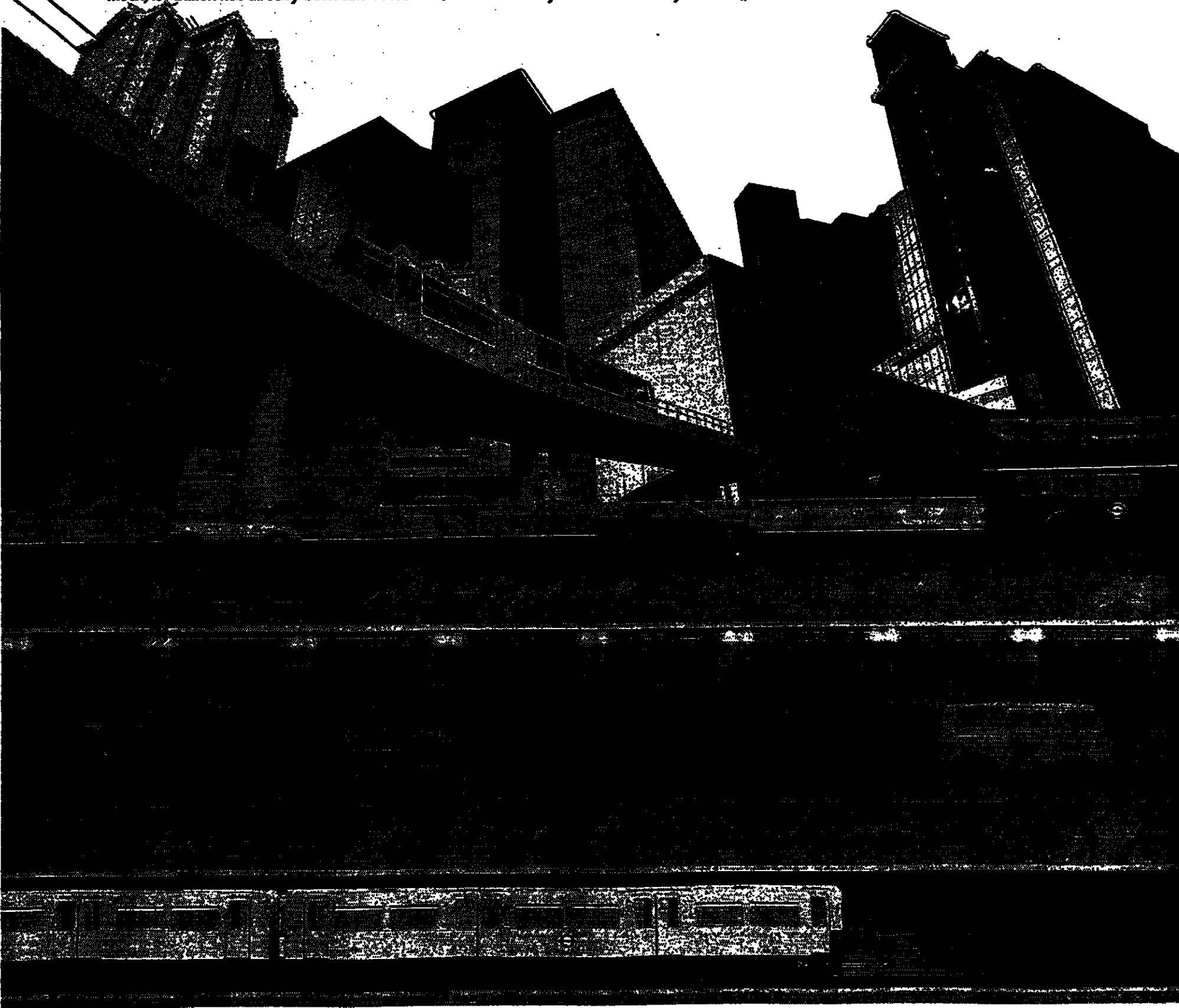
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OVERSEAS NEWS

S Korean growth rate hit by sharp drop in exports

By John Ridding in Seoul

SOUTH KOREA'S economy grew less than 7 per cent last year, the smallest increase since 1981, the Bank of Korea reported yesterday.

According to the central bank, the slowdown reflected a sharp decline in exports, resulting from the appreciation of the Korean currency and the impact of severe labour unrest.

Preliminary figures released by the bank showed that gross national product increased by 6.7 per cent, to Won119,540bn (107bn), compared with a rise of 12.4 per cent in 1988. Gross domestic product grew by 6.1 per cent to Won120,430bn and per capita GNP increased from \$4,127 to \$4,970.

Although impressive by international standards, last year's performance follows three years of double digit growth. The slowdown prompted criticism of the Government's economic policies and earlier this month a new economic team was installed through a cabinet reshuffle. The new ministers are expected to announce an expansionary economic package this week.

The bank said the last year's slowdown resulted from the strength of the South Korean currency - which rose 30 per cent against the dollar between 1986 and 1989 - and protracted industrial disputes which disrupted production and prompted wage increases of more than 20 per cent.

These factors resulted in a loss of international competitiveness and caused exports to fall, on a customs clearance basis, for the first time since 1974. According to the BOK, exports fell by 4 per cent to Won45,280bn.

The domestic sector, however, showed relatively strong growth. Domestic consumption rose by 9.8 per cent and industrial investment increased by 12.3 per cent.

This year, analysts are forecasting that GNP will rise by about 7 per cent, with the recent decline in the won boosting exports.

Just three years ago, the established international car manufacturers were given an unpleasant surprise by the arrival of Korean producers.

Hyundai made the most successful ever introduction in the North American market, selling 150,000 Exels in the US in 1986 and capturing almost 10 per cent of the Canadian market in its first year of shipments.

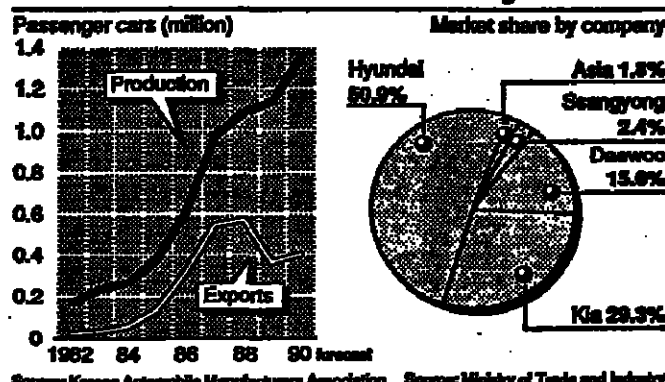
Further, Hyundai's success appeared to represent the spearhead of new invasions by Daewoo, Kia and the other Korean manufacturers. But since then, this progress has been thrown into reverse. Korean car exports fell by 38 per cent in 1989 to 356,000 units, with most of the damage sustained in the US.

This year has been equally difficult, with production falling by 13 per cent in January, on year, and exports of cars declining by 13 per cent. Fortunately for Hyundai and other manufacturers this decline has been offset by a

Motor industry misfires along the road to success

South Korea's car makers have failed to live up to their early promise, writes John Ridding

South Korean vehicle industry



Source: Korean Automobile Manufacturers Association

Source: Ministry of Trade and Industry

booming domestic market. Local sales overtook exports last year, growing by almost 50 per cent to 763,000 units. But while the domestic market remains buoyant, analysts argue that it doesn't provide a long term remedy.

The decline in exports reflects the coincidence of several constraints. Higher wage costs and an appreciating currency have forced up export prices at a time when efficiency gains by Japanese producers and a weakening yen increased the competitiveness of Korea's main rivals. With the price differential reducing,

Labour disputes are unlikely to be as severe in the current wage round and wage rises are expected to be much lower than the average 20 per cent awarded in each of the last three years. As a result, exports are expected to hold their ground this year, and possibly show a slight improvement. But the problems experienced by Korean manufacturers also point to more fundamental weaknesses. In particular, they are over-dependent on the US market, which accounts for almost 90 per cent of exports. Attempts to diversify are under way, but progress is only gradual. Most Korean manufacturers are also constrained by a lack of technology and a weakness in the domestic components industry.

Korean producers have typically overcome their lack of technology by turning to overseas sources. Hyundai has received technology from Mitsubishi, which has a 15 per cent stake in the company. Daewoo Motors is 50 per cent owned by General Motors, and Kia Motors, which receives technology from Mazda, is marketed in the US by Ford.

But such linkages also create additional problems. "Daewoo

has been limited by its relationship with GM," says an analyst at one of Korea's main securities companies. "GM is reluctant to introduce Daewoo cars where it already has a presence and has not moved as fast as Daewoo would like in introducing new models." In addition, analysts argue that such links have fostered dependency and slowed the development of the base technologies necessary for design and components manufacture.

There are also signs that acquiring foreign technology is becoming more difficult. Volvo has apparently pulled out of a production agreement with Saengyong, a Korean manufacturer which specialises in jeeps, and Samsung, Korea's largest conglomerate which is seeking to enter the motor industry, is reported to be having difficulties finding a foreign partner. Faced with these disadvantages, some Korean producers have concentrated on independent development.

Hyundai, South Korea's largest manufacturer, is now self-sufficient in most areas of design and manufacturing. "We emphasise the development of our own technology," says Mr Lee, who adds that "we started to assemble our own-designed

engines several years ago." But independence in technology is expensive and slow. Hyundai plans to devote over \$300m to R&D this year and started its own research centre in 1970.

For the moment, Hyundai and the other Korean manufacturers have the convenient cushion of the domestic market. "Obviously growth will not be as fast as in 1988, but we are anticipating an increase of at least 20 per cent this year," says Mr Lee Dong Wha of the Korea Automobile Manufacturers Association. Profit margins, too, are generally higher on domestic sales.

The problem, according to analysts, is that the domestic market cannot sustain the industry indefinitely. Although the ratio of passenger cars to population is about 1:30, and is lower than in Taiwan and most of the Asian countries, Korea's traffic infrastructure is already groaning under the weight of increased car ownership.

"The fast growing domestic market is very important," says Mr Joe Gomezabo, an automotive consultant, "but it is not sufficient to provide the required volumes or technological stimulus for the Korean industry."

China resumes missile sales 'to raise cash'

By Our Foreign Staff

CHINA is reported to have begun exporting short-range ballistic missiles, probably to Iran or Iraq, to raise badly needed cash.

Chinese defence ministry officials said they were unaware of any missile sales. But western diplomats said shipments of the surface-to-air missiles were being made while western countries enjoyed vastly reduced influence with the Peking Government because of the severe strain in ties since the massacre of demonstrators in the capital last June.

In 1987, following a row about the supply of S-1500 missiles to Iran during the Iran-Iraq war, Wu Xueqian, the then Foreign Minister, said in a Financial Times interview that China had been too lax in controlling the sales of its weapons and was introducing strict new controls. Although China denied sending the missiles to Iran, US satellite intelligence showed the missiles being loaded onto a ship at a Chinese port and off the same ship at an Iranian port.

President George Bush has said Mr Brent Scowcroft, the

US National Security Adviser, on a controversial visit to Peking in December, was given a "very open" pledge that missiles would not be sold to the Middle East. But the US Administration has not specified what kind of missiles were covered by the pledge.

Witnesses have seen two convoys carrying 36 missiles as well as launchers and other accessories moving through the outskirts of Peking since Saturday. The convoys appeared to be heading towards the main north China port of Tianjin.

The missiles were believed to have been the M1B, which has a range of 50 to 70 miles and is a relatively new addition to China's arsenal, developed within the last two years. The convoys moved under cover of darkness with police cars leading the way and bringing up the rear.

China announced a sale of its CSS2 intermediate range ballistic missiles to Saudi Arabia in 1988 in a deal estimated to be worth more than \$100m. The CSS2 has a range of 2,000 miles and is adapted from the Long March-1 rocket.

Israel's religious parties relish power

By Hugh Carnegie in Jerusalem

THIS senior Israeli industrialist - a kibbutznik from the heart of Israel's secular, socialist Zionist tradition - shook his head. "Can you imagine in the modern state of Israel everything comes to depend on an old rabbi and his tiny religious party. It seems like Khomeminism. But they are not Israel."

Most Israelis expressed similar disquiet that the address by a non-religious rabbi to a gathering of his fervent ultra-orthodox followers in the incongruous setting of Masabi, Tel Aviv's basketball stadium, should apparently determine the fate of their Government, and with it whether the nation moves towards peace talks with the Palestinians.

The ultra-orthodox communities are indeed only a small proportion of the population, hoisted to power and influence by Israel's extreme version of proportional representation. But whether the less God-fearing majority like it or not, the religious parties have learned over the years how to play the political game and, to some extent, have themselves been changed in the process.

At first sight the scene on Monday night owed nothing to conventional politics. The 10,000 black-belted, black-coated Ashkenazi faithful of the Degel HaTorah party - which has two seats

in the 120-seat Knesset - prayed, chanted psalms and then let forth a deafening crescendo of singing for their Lithuanian-born mentor Rabbi Eliezer Schach as the tiny old man made his way to the podium.

They fell into reverent silence as he delivered in a crackling voice, in Hebrew and Yiddish, a powerful injunction against the kibbutzniks and other secular Jews who, he said, had abandoned their faith. He pointedly eschewed a direct political message.

On the stadium floor, however, the ultra-orthodox equivalent of "spide doctors" worked the assembled journalists assiduously. In a skilful political operation, they quickly established the interpretation that Rabbi Schach, in his elliptical way, was signalling that Degel HaTorah, and its sister Sephardic party Shas, which has six Knesset seats, would not supply the votes Mr Shimon Peres, the Labour party leader, needs to form a Government committed to peace talks.

The result was a near consensus in Israel yesterday that Mr Peres's chance of forming a Government was now very slim. Likud members expressed confidence that Mr Shamir could do so instead.

But the game is far from over yet and Degel and Shas have carefully not

closed their options as the struggle between Mr Peres and Mr Shamir continues. After all, Rabbi Schach made an oblique reference to territorial issues that seemed to favour Labour policy. It won't have escaped him either, that Likud and Labour are vying with each other to pour extra public money into religious institutions as the budget is finalised in parliament.

The episode illustrated not only how the religious parties have developed their own ways of working the system, but also how they have become inextricably involved in mainstream political issues far beyond narrow religious concerns.

Apart from the National Religious Party, the religious groups now in parliament (Shas and Degel HaTorah grew out of a split with Agudat Israel, which currently has five seats) are non-Zionist. They reject the establishment of the state in 1948 on doctrinal grounds. Their men do not serve in the army, a persistent cause of resentment among most Israelis.

They were involved in coalitions with both Labour and then Likud for years. But a virtual stalemate between the two parties since 1984, and greater mobilisation of their own support has thrust the religious parties into the position of making and breaking governments.



Rabbi Schach: Interpreter.

Punjab elections postponed for a year

By K.K. Sharma in New Delhi

ELECTIONS in Punjab are to be postponed for at least another year, following agreement by all political parties that the atmosphere of violence will not permit a free poll.

The Indian Government yesterday introduced a bill to parliament to amend the constitution providing for extension of President's rule, or direct administration, in the Punjab Government, for another year.

President's rule has been in force for nearly three years, two more than is normally permissible under the constitution, which allows direct administration by New Delhi for two successive periods of six months if constitutional government is not possible in a state.

In the case of Punjab, where militants have launched a violent movement seeking a separate Sikh nation that they call Khalistan, the constitution was amended two years ago by Mr Rajiv Gandhi's Government for a further extension of President's rule. Another amendment of the constitution is necessary to postpone elections yet again.

The Government of Mr V.P. Singh has promised to apply "a healing touch" to the Sikhs. It has already met some of their demands such as prosecuting the killers of more than 3,000 Sikhs in Delhi and northern India after Mrs Indira Gandhi's assassination by her Sikh security guards in 1984.

Mr Singh has visited Punjab twice since taking office as Prime Minister nearly four months ago and has held consultations with other political parties on finding a solution to the Punjab crisis. He has also established contact with Mr Suranjit Singh Mann, a former police officer who is thought to have links with the militants. Mr Mann was freed from jail after being elected to parliament last November.

A great deal of hope was pinned on Mr Mann whose party is now thought to be the dominant political group in Punjab. Mr Mann does not, however, seem to be acceptable to all the militant groups since terrorist violence in Punjab continues unabated even though he has condemned killing of innocent people.

Australia 'facing grave economic problems'

By Kevin Brown in Sydney

AUSTRALIA is running out of time to solve its grave economic problems, Senator Peter Walsh, Finance Minister in the caretaker Labor government, warned yesterday.

His warning sets the stage for a battle over environmental constraints on industrial development following last Saturday's closely fought general election. Counting was still going on last night but Labor seems set to win a parliamentary majority of three or four seats. The final result is expected tomorrow.

Senator Walsh said he was speaking out to try to prevent the new government becoming a hostage to pressure groups.

"Time is running out for Australia," he told the Sydney Morning Herald newspaper.

"We have only a few years to address the fundamental economic problems or they will become irredeemable for the best part of a generation," Senator Walsh said Australia

lia's survival as a First World nation was at stake. Referring to the effect of environmental constraints on the economy, he said: "The environment in Lagos, Calcutta and Mexico City is pretty bloody dreadful and it is in that direction this group will take Australia if their agenda is met."

Senator Walsh said Australia's \$150bn (\$55bn) foreign debt was likely to increase by around \$15bn this year because of the Government's failure to reduce the current account deficit, running at around \$2bn a month.

"The economic situation is so grave that the Government should not be distracted by pursuing the things that should be done by either opinion polls or a slender majority," he said.

Senator Walsh's comments infuriated the environmentalists who have been fully opposed several mining and industrial projects in environmentally sensitive areas.

27 killed in rebel attack on Kabul

By Mark Hubbard in Abidjan

TWENTY-SEVEN people were killed and 27 injured when Afghan rebels fired rockets into residential areas of Kabul yesterday, Kabul radio said in a broadcast monitored by the British Broadcasting Corporation, Reuters reports from London.

Four ground-to-ground missiles were fired, one hitting a packed mini-bus, the radio said. Hundreds of people have been killed in rocket attacks on the Afghan capital during the past year.

The rebels have attacked several strategic cities in the south of the country recently in what appears to be the start of a spring push against the Soviet-backed authorities.

Government troops killed 89 rebels in three fighting around the beleaguered city of Khost on Saturday, acting Foreign Ministry spokesman Mr Mohammad Naghi said.

The Government has been bracing for an offensive since Defence Minister Shahmawaz Tanzi flew to India on Sunday by leaving Catholics in Ivory Coast for an end to the climate of intimidation which is building up in the country.

Ivory Coast doctors strike

By Mark Hubbard in Abidjan

DOCTORS in Ivory Coast yesterday voted for a indefinite strike and withdrew emergency cover in protest at mass arrests of demonstrators on Monday night.

More than 300 doctors voted for a 48-hour strike on Monday in protest at a planned 14 per cent pay cut to be introduced next month as part of a government austerity plan.

But the arrest on Monday afternoon of Mr Richard Koffi, a doctor at Abidjan's university hospital, prompted the National Union of Senior Health Executives to threaten an all-out indefinite strike if he was not released immediately.

His arrest on Monday was followed a few hours later by the arrest of 150 teachers and doctors in Abidjan who had defied a nationwide ban on demonstrations imposed earlier in the day. Mr Koffi was accused by police of organising demonstrations when he was arrested, but union officials deny this.

The strike followed a call on Sunday by leading Catholics in Ivory Coast for an end to the climate of intimidation which is building up in the country.

Malaysians raise voices against Islamisation

Lim Siong Hoon in Kuala Lumpur

MALAYSIAN opposition and non-Muslim groups have stepped up their campaign against what they see as a trend towards Islamisation of the country through state and national legislation supported by Dr Mahathir Mohamed, the Prime Minister.

The most controversial law yet is one which permits conversion to Islam of minors without their parents' consent. This was passed by the Selangor state legislature last July, despite a constitutional guarantee giving parents the right to determine their children's religion.

The Malaysian Consultative Council of Buddhism, Christianity, Hinduism and Sikhism announced a campaign to collect a million signatures against the law, but promptly called it off after Dr Mahathir agreed to a meeting to discuss the issue.

The Selangor controversy is the latest in a long list of grievances in a country where about half the population is Muslim. Non-Muslims have been unhappy for some time on such issues as restrictions on

church and temple construction and tax inequalities.

The latest outcry is centred by constitutional contradictions. In a landmark decision earlier this month, the Supreme Court ruled that parents have the constitutional right to determine the religion of their children under 18. But state legislatures also have constitutional powers to pass Islamic laws.

Eight legislators from the Malaysian Chinese Association, a member of the ruling coalition controlled by the United Malays National Organisation (UMNO) of Dr Mahathir, have threatened to resign over the Selangor law.

Dr Mahathir has blamed the opposition, the Democratic Action Party, for sowing discord and for holding the party responsible for racial riots broke out as a result.

A general election is expected this year and Dr Mahathir appears eager to calm religious tensions and to rely on non-Muslim votes to retain his two-thirds majority in parliament.

Algeria admits foreign capital

By Francis Ghiles

THE Algerian National Assembly has approved a banking and investment law which opens the door to foreign investment, outside oil exploration, for the first time since independence in 1962.

Apart from some sectors which are reserved for the state, and which are not as yet defined, foreign investors will be allowed to own up to 49 per cent of companies and repatriate all profits.

Foreign banks will be able to set up representative branches (three French banks, Credit Lyonnais, Société Générale and Banque Nationale de Paris already have joint ventures (the private bank group Al Baraka set up a joint bank and a joint leasing company earlier this month); and open branches (Credit Lyonnais has just done so) to offer a wider range of banking services.

The new law also lays the foundations of a more modern banking system, in which the banks will enjoy much greater autonomy from the Ministry of Finance. It reinforces the powers and freedom gained by the central bank since Mr Mawloud Hamrouche became Prime Minister last September.

Zimbabwe election may be last under a multi-party system

From next month Mugabe can - and probably will - declare a one-party state if he wins poll, writes Julian Borger

POLLING begins today in what may prove to be Zimbabwe's last multi-party presidential and parliamentary elections.

Ten years since coming to power President Robert Mugabe and his ruling party, the Zimbabwe African National Union (Zanu), face a severe test both of the country's economic record and the government's plan to create a one-party state.

On the economic front, an acute foreign exchange shortage, a chronic transport crisis, annual population growth rate of well over 3 per cent, and growing pressure on land have left the economy unable to cope with the rising level of unemployment.

On the constitutional front, President Mugabe has made it clear that an election victory will be treated as a mandate to make Zanu the sole political party, a change which becomes possible with the expiry next month of the 1979 Lancaster House constitution which paved the way to independence the following year.

Zimbabwe can claim a degree of economic success since 1980, particu-



Mugabe: chequered record

But underlying trends are worrying. Only 8,000 new jobs a year have been created in the formal employment sector of the economy, while 300,000 school-leavers are expected to come onto the labour market this year.

Unemployment coupled with a widespread sense of disillusionment, fuelled in part by increasing corruption, have created an opening for a new opposition party, the Zimbabwe Unity Movement (Zum), which was launched last year advocating a multi-party democracy and a mixed economy.

Led by the former secretary-general of Zanu, Mr Edgar Tekere, the party was formed just as Zanu was plastering over the traditional divide in Zimbabwean politics by merging with its rival, the Zimbabwe African People's Union (Zapu), led by Mr Joshua Nkomo.

The merger brought closer President Mugabe's off-expressed intention of creating a one-party state - hence Mr Tekere's warning to Zimbabweans that if they vote for Zanu, it will be their last vote in free

elections.

The Zum leader has a chequered record, which includes an incident shortly after independence in which he led a raid in which a white farmer was shot dead. Although he was charged with murder, the case was dismissed on a technicality.

Mr Tekere's most fervent followers are on the university campus, closed last October after student disturbances, and which will be reopened only in late April. But the bulk of his support comes from the urban unemployed.

There are, by contrast, few signs of opposition support in the rural areas, where Zanu has traditionally had a strong grip on the population, and where new schools, clinics and incentives for peasant farmers have had a marked impact since independence.

Even in the western province of Matabeleland, long the seat of bitter opposition to Zanu, memories are still fresh of Mr Tekere's threats, when still senior official in the party, to crush Zanu's support in the area.

The potential for rural backing for Zanu has been further undermined by Mr Tekere's controversial decision in February to merge with the all-white Conservative Alliance of Zimbabwe (Caz), direct descendant of Mr Ian Smith's Rhodesian Front.

The pact means that Zanu has been unable to match Zanu's promises of wholesale redistribution of land from white farmers to black new farming overworked communal lands once the Lancaster House constitution expires. That constitution ensured that land would be transferred on a "willing-buyer, willing-seller" basis. But with the prospect of such constraints falling away, President Mugabe has been touring the country on the slogan: "Land to the people now."

It has not yet been made clear how this officials are giving out assurances that there will be no wholesale land seizures without compensation.

Despite the opposition weakness, Zanu has approached the election campaign with an urgency

bordering on panic. Mr Mugabe is touring the country addressing up to three rallies a day, while a Zanu candidate told his constituents that the party would "go back to war if it loses the elections".

Campaign violence has been on the increase as the two-day polling period approaches. In a shooting incident last Saturday the Zanu candidate in the Midlands town of Gweru, Mr Patrick Kumbayi, an engineer who was making an energetic challenge to Vice-President Simon Muzenda, was wounded, together with five of his supporters.

Mr Kumbayi, a Zanu stalwart until his conviction for beating up a local shopkeeper embarrassed the party, claims that police and members of the Central Intelligence Organisation were responsible, a charge that has been denied.

In what has been a rough and tough campaign, a slogan that would win a bad-taste award is being screamed on state-controlled television: a coffin being removed from a hearse with a voice-over "AIDS kills - so does Zanu".

©FLO leader Mr Yasir Arafat dismissed Israel's political stalemate on Tuesday as an attempt to evade peace talks and who time to crush a two-year-old Palestinian uprising, Reuters reports from New Delhi.

"I expected this," Mr Arafat said of the deadlock over forming a new Israeli government. The previous coalition fell apart over a US proposal for peace talks with Palestinians in Cairo.

Mr Arafat was addressing a news conference after receiving an award for promoting international goodwill from India, the first country to recognise the self-declared state of Palestine last year. He has been greeted in Delhi as Palestinian president.

He accused the US and other unnamed countries of refusing to admit Soviet Jewish migrants, suggesting that many of the 100,000 Soviet immigrants which Israel expects this year had really wanted to settle elsewhere.

Arabs fear many of the Soviet Jews will settle in the occupied territories where Palestinians demand their own state.

UK NEWS

Wales joins Stuttgart's 'Europe of the regions'

By David Goodhart in Bonn

THE PRIME minister of the economically flourishing West German state of Baden-Wuerttemberg, Mr. Lothar Späth, yesterday signed a special co-operation agreement between his state and Wales which will couple Wales to four of Europe's fastest growing regions.

Mr Späth is an advocate of a "Europe of the regions" and has already signed similar co-operation deals with Rhone-Alpes in France, Catalonia in Spain and Lombardy in Italy, together known as the "four tigers".

The "umbrella" agreement signed yesterday establishes a working group to meet annually and commits both regions to foster collaboration between companies and universities. The Welsh Development Agency has already presented the terms of six companies seeking joint ventures in the economic co-operation office in Stuttgart, the capital of Baden-Wuerttemberg.

Initially Mr Späth had sought a deal with a more obviously "high-tech" region of the UK but thanks to some hard lobbying by Mr Peter Walker, former Minister for Wales, and the experience of Japanese and West German firms, a notably Stuttgart-based Bosch - Mr Späth decided to make Wales the fifth tiger.

At the same time, the UK has decided to re-open a full-time Consulate-General office in Stuttgart. Head of the office, which was closed in 1985, will be Mr Roger Thomas - a Welshman.

Drugs profits to be seized at UK ports of entry

By Richard Donkin

PROPOSALS to give police and customs officers at ports and airports powers to seize suspected profits from drug trafficking were announced by Mr David Waddington, the UK Home Secretary, yesterday.

The move is designed to stop the movement of cash in and out of the UK by drug smugglers. Customs and Excise investigations officers have been worried about the "carrier bag" trade in cash coming in and out of the country, which hitherto they have been powerless to prevent.

The movement of cash in and out of the UK has been unrestricted since the abolition of exchange controls more than 10 yrs ago. The exploitation of this freedom of movement by drug traffickers is thought to have been on the increase since the Drug Trafficking Offences Act of 1986 enabled the authorities to seize and freeze suspected drug proceeds concealed in the banking system.

Mr Waddington said: "The success of our Drug Trafficking Offences Act in encouraging financial institutions to alert the authorities to money laundering activities has forced more international traffickers to carry and deal in cash."

"Clearly it should not be possible for professional traffickers freely to pass in and out of the UK carrying suitcases full of money."

The new provisions, to be inserted in the Criminal Justice (International Co-operation) Bill currently before Parliament, would allow police or customs officers to seize and hold amounts of £10,000 and more if they suspected the money could have been connected with drug trafficking.

The legislation would also give a magistrate the authority to order that the money be held for a period of up to three months. A magistrate's court would be able to impose subsequent 3-month holding orders up to a maximum of two years.

Powers to detain suspected drug money entering or leaving the country were originally proposed in a report on drug trafficking and related serious crime published by the Parliamentary Home Affairs Committee in November 1989.

BR may set up telephone link

By Michael Skapinker

BRITISH Rail is considering setting up its own telephone network or allowing an outside company to do so on its behalf.

BR has already allowed Mercury Communications to use some of the concrete troughs which run alongside railway lines to lay fibre optic cables and has Mercury public telephones in some of its stations. It has also agreed to allow telepoint companies to operate from stations.

The British Rail plans come in the wake of the launch of National Network, which will offer the Post Office's excess internal phone and computer lines to outside users.

Britain may opt for own green labels scheme

By John Hunt, Environment Correspondent

BRITAIN might introduce its own system of environmental labelling of goods in the shops next year if the European Community fails to agree a standardised scheme, Mr Chris Patten, the Environment Secretary, said yesterday.

The UK had been pressing for an EC system to be adopted following complaints that some manufacturers were making bogus claims that their goods were environmentally friendly.

Speaking to a business and environment conference organised by The Times newspaper and Coopers & Lybrand Deloitte, he advised the EC to "get its act on".

"I think it is important for consumers that we have our own scheme whatever happens in the rest of Europe."

Mr Patten also warned that British manufacturers were falling behind in the export of environmental control equipment and were in danger of losing markets to the West Germans and the Japanese.

He said a deal was being worked out with the world market currently estimated at over £100bn a year. The British market was £2bn with growth of around 9

per cent expected over the next 10 years.

The western European market was estimated at £200bn and expected to increase to £300bn by the end of the decade.

"To the best of our knowledge the relative share of the UK in the world market is in decline," he said.

The UK had a good share in environmental consultancies, materials recovery and sewage treatment. But it was less strong in waste incineration and water-handling equipment.

He said there were opportunities for new technologies and quicker commercial application of existing ones.

"The Government can help," he said. "But the main onus is on industry itself to respond to the opportunities that are there to be grasped."

Mr Patten called on industry to be more open about its environmental performance. He suggested that companies should not just carry out their own environmental audits.

They should also produce public statements setting out their environmental policies and their record in meeting regulations.

Industry urged to function as a negotiating partner in the European Commission
Call for standardised data on European water quality

By Richard Evans

A VIGOROUS defence of UK water industry standards in comparison with others in Europe, linked with a call for increasingly high quality levels to be based on scientific evidence rather than emotion, was made by Mr Bernard Henderson, chairman of the Water Services Association, yesterday.

Speaking in London at a Financial Times conference on the European water industry, Mr Henderson, also chairman of Anglian Water plc, questioned the basis on which some European Commission quality improvements were being made.

"For some requirements an absolute level of compliance is important. For others it is not. If we are not to spend millions, possibly billions of pounds, in the vain pursuit of an equivalent of philosophers' gold we should review some of the parameters and interpret them on a more practical basis," he said.

It was a call that attracted widespread support from an industry faced with a massive investment programme over the next decade to bring water, river and bathing beach quality up to EC standards.

Mr Henderson argued that in spite of adverse and damaging publicity in the run up to privatisation last year, the UK had never been the dirty man

of Europe. "With West Germany, Denmark and Luxembourg, the UK's water services are the best in Europe," he insisted.

The EC was struggling to develop a policy to underpin its environmental strategy, but there was a danger that some of the thinking was going in the wrong direction.

"One way or another we have to establish arrangements for assessing and pronouncing on standards which give the public and our customers confidence that they can rely on what is being said."

Mr Michael Rouse, managing director of the Water Research Centre, supported the need for proper data in the areas of drinking water, river and sea water quality.

He said that current data was simply not comparable across the EC, and for the UK and others to be seen in a proper light, this needed to be rectified. He hoped that the proposed European Environmental Agency would meet this need.

Mr Nigel Hawkins, water industry analyst for Hoare Govett Investment Research, outlining the prospects for the 10 recently privatised water companies in England and Wales, said the combination of major debt write-offs, a generous "green dowry" and benefi-

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cial corporation tax treatment made institutional investment in water particularly attractive.

But the massive 10 year capital programme of over £24bn gave rise to deep concern about potential price and time over runs.

Nevertheless, he thought the prospects for the companies over the next five years were "distinctly positive", and forecast that operational profits for all 10 would increase from around £1.1bn in 1989-90 to £2.2bn in 1994-95.

Mr Christopher Timbrell, director of Coopers & Lybrand Deloitte, speaking on the balance between market forces and regulation in Europe, said the industry in England and Wales was the only one with 100 per cent private participation in ownership and management.

Unlike the majority of our European counterparts, they would be unable to look to public sector funding, and competition to be the most attractive to the market would become increasingly fierce.

He said the mix of public and private sector involvement in water services varied considerably across Europe, with low private sector involvement in Belgium, Italy, Denmark, the Netherlands and Luxembourg, but considerable private sector input in the management and operation of water services in France, West Germany and Spain as well as the UK.

He assumed the UK companies would increasingly seek to diversify their business interests. "Well focused strategies, based on a good understanding of the market, will play a major part in achieving success in new ventures. Not surprisingly, this focused, strategic approach has been at the core of the French companies' success in diversification."

Mr Rob Krautz, co-ordinator of groundwater and environmental affairs at the Netherlands Water Works Association (VEWIN) said the water industry faced many challenges, and if it missed the opportunities it risked losing the confidence of the consumer, and its position in many countries as a valued partner of national govern-

ments. He thought the most important task was to develop a single voice that would allow the European water industry to function as a fully-fledged negotiating partner for the European Commission. It was also vital for it to develop into an environmental industry.

On the first day of the conference Lord Crickhowell, chairman of the National Rivers Authority, the industry's environmental regulator, warned that the NRA intended to take an increasingly strict line against all polluters, and particularly against water companies that abstracted excessive amounts of water.

He said he regarded the NRA's responsibility for the control of resources and for reducing excessive abstractions at least as important as the responsibility for reducing pollution.

"I have to tell the water industry and other abstractors that we believe it will be necessary for us to take a tough line and in some instances we will have to revoke existing abstraction licences," he said.

He added that the NRA was determined to introduce automatic and frequent sampling of significant discharges and of river water quality as a matter of the highest priority.

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UK NEWS

London abandons £2bn major road schemes



ENVIRONMENTALISTS and local London pressure groups last night welcomed as a famous victory the Government's decision to abandon six big road improvement schemes for London which would have cost £2bn and disrupted whole districts for up to 15 years during construction, writes Ray Hodes.

Friends of the Earth called the decision "a significant victory."

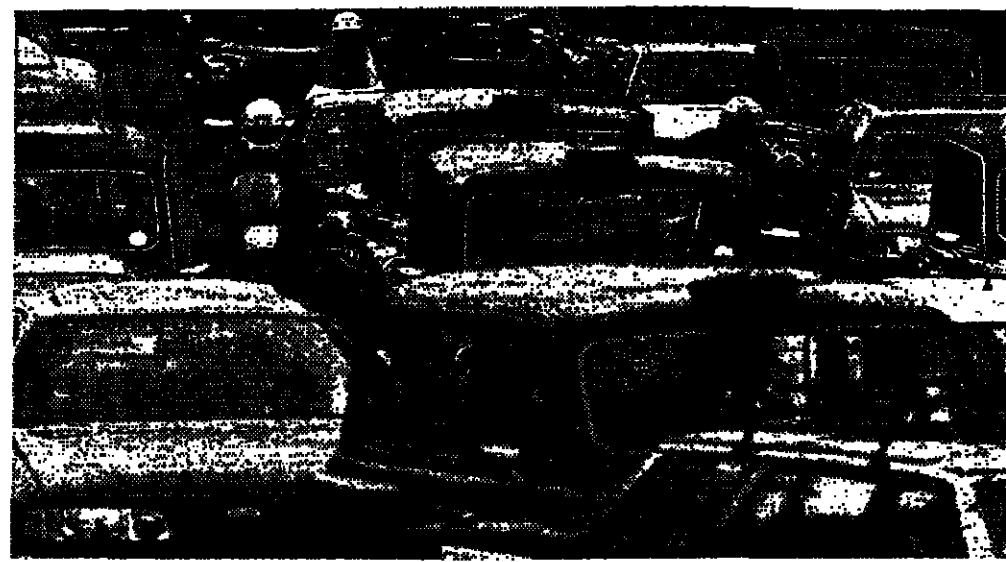
The Government had faced sustained pressure over a series of road proposals during the 1980s. It grew and reached a crescendo last year after more detailed options were published and as the time for a decision approached.

Mr Cecil Parkinson, the

Transport Secretary, is instead putting forward a more modest set of road improvement schemes and the designation of priority "Red Routes" for efficient movement of traffic, including buses. Rail system improvements are also being considered.

Mr Parkinson told the House of Commons he had decided not to proceed with the big schemes - which had been recommended by consultants after studies lasting five years. The abandoned projects are:

- A tunnel from Chiswick to Wandsworth;
- The western London environmental improvement route;
- Large schemes on the south circular road including tunnels under Clapham Common, Dul-



wich Park, Tulse Hill, and Forest Hill;

• New routes across Chipstead valley and along the Wandale valley;

• New roads at Norbury and Streatham;

• A new route from Holloway Road to Kings Cross, and the Archway scheme.

The decision to abandon the big projects, which have already cost £10m in consultancy fees, was taken after the Government concluded that the major civil engineering works in Greater London during the construction period - and the permanent disruption caused to settled localities by the new routes - would not achieve the overall objective of improving London's environ-

ment.

The more modest alternative set of road improvements will cost about £250m - mainly involving improved roundabouts and junctions. Mr Parkinson said better traffic management must be a priority in London. Higher priority must be given to buses, cyclists, and pedestrians.

An important element in the planned Red Routes scheme will be the appointment of a Traffic Director for London who will be responsible for administering the routes and will have powers to act against local authorities or others to ensure compliance. Legislation will be needed to provide the official with the necessary powers.

The Traffic Director will operate outside the Department of Transport and will co-ordinate the measures needed to make sure that the Red Routes regulations are consistent throughout the Greater London transport system.

Mr Parkinson said new rail systems for London identified in the assessment studies were under active consideration. They are: the Central London rail study; the Chelsea-Hackney underground line; the East-West crossrail with British Rail; the Docklands Light railway extension to Lewisham; the East London underground line extensions to Dalston in the north and East Dulwich in the south; and the Croydon light rail scheme.

In Brief

Britain will invest £32m in European Space plan

THE BRITISH Government is to invest £32m over the next 10 years in a new European Space Agency programme. The investment is being targeted at satellite communications.

Meanwhile, Mr Douglas Hogg, Minister for Industry and Enterprise, said the Government would not intervene to help the Juno Mission, the troubled British private manned space flight. He said it would not be a worthwhile use of the £150m available for Britain's space programme.

Jameel libel action settled

SETTLEMENT was announced in the High Court recently of a libel action brought by Abdul Latif Jameel Co Ltd, the Saudi Arabian car distributor, against the Financial Times.

The company complained that a report on Arab banking published in the paper on October 14 1985 implied that it had run into financial difficulties. The paper's solicitors said that the Financial Times had not intended to make such a suggestion and accepted that Abdul Latif Jameel Co Ltd had never been in financial difficulties.

World Cup sponsor

NATIONAL POWER, Britain's biggest electricity producer, is to spend £2m on sponsoring commercial television coverage of this year's World Cup football. PowerGen, its rival, sponsors ITV's weather forecasts.

Euro-degree stopped

THE CRANFIELD School of Management, one of Britain's leading business schools, has axed its European management master of arts degree because of lack of financial support from Government and industry.

Rail plan stopped

THE CORPORATION of London rejected the revised plan for the Docklands Light Railway to be tunnelled underneath the historic Mansion House, since it failed to include measures to protect the building which does not have foundations.

Voucher payments to 'revolutionise attitudes' to training

By Lisa Wood

PLANS for pilot training schemes with "the potential to revolutionise attitudes towards training" were unveiled by the Government yesterday.

Training credits, with a probable individual value of £1,000, will be given to a selected number of young people presently eligible for Youth Training Schemes who will be able to cash them in return for training.

Employers participating in the pilot schemes will no longer receive YTS subsidies and will pay a market wage. The Government believes demographic changes, with a shortage of skilled workers, will encourage employers to take up the pilots.

Mr Michael Howard, Employment Secretary, who launched the plan with Mr John Major, Education Secretary, said credits were not intended to replace the YTS. But he said: "We will be looking at the pilots to see what the lessons are and the prospects of taking credits forward."

The estimated 10 pilot schemes, lasting two years, will be administered by the new employed Training and Enterprise Councils (TECs), which later this year will take over responsibility for national training schemes. The Government wants local education authorities to supervise the credit schemes.

The pilots will be funded from planned provision for YTS and local education authority budgets, plus an extra £12m in 1991-92, rising to £23m the following year.

Sir Bryan Nicholson, chairman of the CBI's Vocational, Education and Training Task Force, welcomed the initiative.

Mr Tony Blair, shadow Employment Secretary, questioned what impact the scheme would have on Britain's overall skills shortage.

Mr Norman Willis, TUC general secretary, said he was glad to see the Government acting to pilot an idea that had won wide support in industry and the trade union movement.

New energy HQ costs taxpayer extra £6.4m

By Hazel Duffy

COST overruns and delays in the preparation of the new London headquarters for the Department of Energy have cost the taxpayer £6.4m more than the predicted costs of the move, according to the National Audit Office.

The report by the Parliamentary watchdog on public spending, lists a series of mix-ups over who was responsible for verifying costs - the Government's Property Services Agency, or the developers, Chesterfield Properties - and poor management generally on the part of the PSA.

The situation was exacerbated by the Department of Energy failing to specify exactly what it wanted in its new headquarters, and subsequently changing its mind on its requirements.

For the PSA, the timing of the report is particularly unfor-

fortunate. From next Monday, departments will no longer be tied to using the PSA for their accommodation needs.

Overall, the delays led to penalty costs of £3.6m and rent of £2.8m for the eight month period between notional completion of the developer's building works and occupation by the Department last August.

The costs of the works, which were being carried out by the developer under an agreement with the PSA, escalated from £5.7m (£30 per square foot) in 1988 to £15.6m (£84 per square foot) in 1989. The increase included the penalty costs, inflation (£2.3m), VAT (£1.4m) uncertain in the original estimate, and changes to the building (£2.6m).

The NAO has identified four similar schemes with which the PSA is involved in the London region.

GUINNESS TRIAL

Jury told of dispute over need for disclosure in code

By Raymond Hughes, Law Courts Correspondent

AT the time of the Guinness takeover of Distillers in 1986, eminent City of London practitioners differed from the takeover panel in their view of the requirements of the City code on takeovers and mergers, the Guinness trial heard yesterday.

The difference was over whether the code required disclosure to the panel of indemnities against loss offered to those who supported the share price of a company involved in a takeover, the jury at Southwark Crown Court was told.

Mr Ernest Saunders, former chairman and chief executive

of Guinness, Mr Gerald Ranson, chairman of the Heron group, Mr Anthony Parnes, a City stockbroker, and Sir Jack Lyons, the millionaire financier, have denied charges arising from an allegedly unlawful share support operation mounted by Guinness during its battle for Distillers.

The operation involved offering indemnities against loss, and paying success fees, to those who bought Guinness shares to support the share price.

A prosecution witness, Mr Peter Fraser, deputy director

general of the takeover panel since 1973, said that one of the vices at which the panel's rules on disclosure of share purchases was aimed, was the prevention of the creation of a distorting false market in shares.

He said that stockbrokers and merchant banks had a duty to ensure their clients were aware of the obligation to disclose share purchases by an associate of a company involved in a takeover.

Cross-examined by Mr Colin Nicholls, QC, for Mr Parnes, Mr Fraser agreed that at the time of the Distillers takeover,

there had been no reference in the code to indemnities. He said that indemnities had not been precluded by the code; they had been treated as dealings which had to be disclosed to the panel.

Had the panel thought that there must have been "a view abroad" that indemnities did not have to be disclosed? asked Mr Nicholls.

Mr Fraser replied that the panel was at a loss to understand how it could have been thought that disclosure was not required. Also the panel had deplored the failure of the

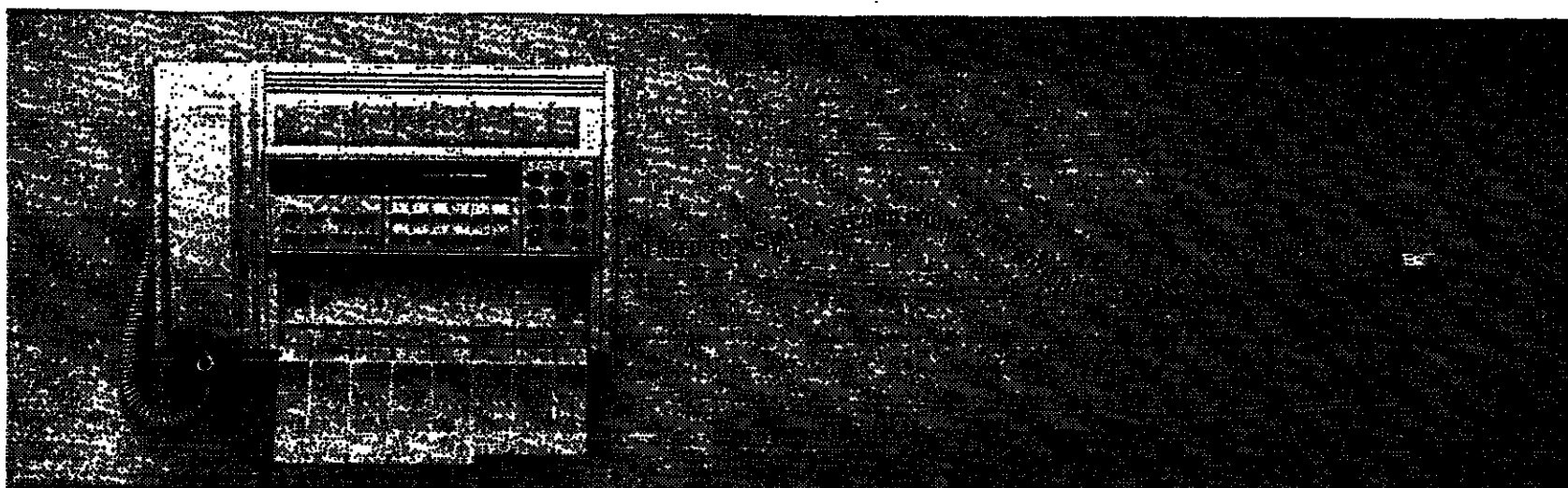
advisers to consult it.

The highly reputable advisers had been out of step with the panel? asked Mr Nicholls.

Yes, replied Mr Fraser. Mr Nicholls referred to a background paper produced by the panel executive which had referred to a tendency not to consult the panel in "grey cases." Had it been the panel's experience that cases it had thought were grey or doubtful had not been so regarded by practitioners? he asked.

That must have been so on occasions, Mr Fraser said. The trial continues today.

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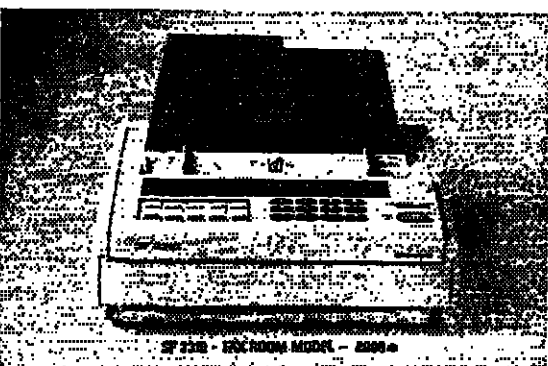
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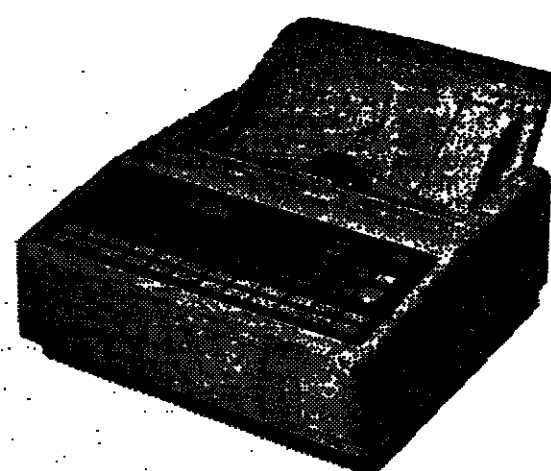
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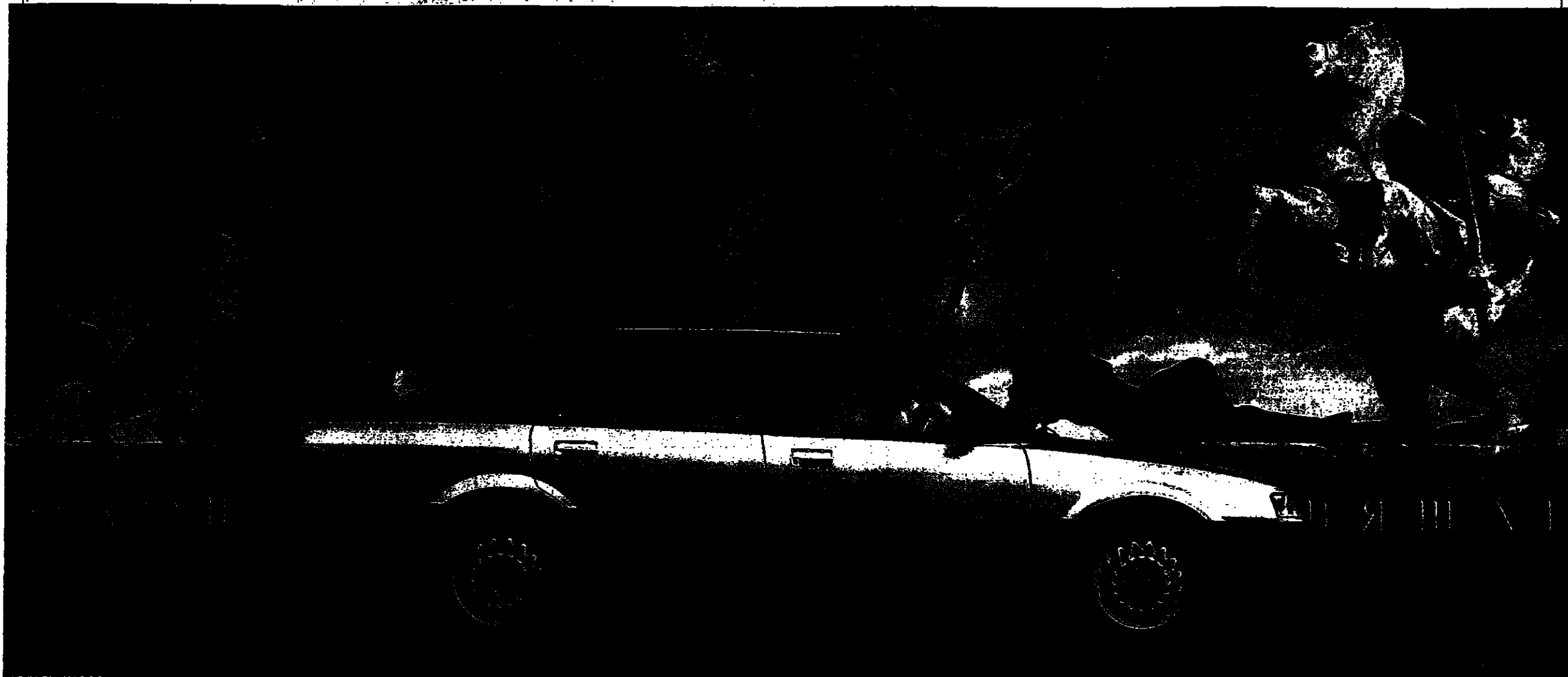
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FINANCIAL TIMES

Reinsurance indemnity claim is stayed for arbitration

HAYTER v NELSON
Queen's Bench Division
(Commercial Court)
Mr Justice Saville
March 22 1990

REINSURERS who agree to "follow the fortunes" of the reinsured may dispute whether they are bound to indemnify him against adjudged liability, in that the meaning of the phrase is undefined by authority; and accordingly, where the reinsurance agreement contains an arbitration clause, the court will stay indemnity proceedings by the reinsured, on the ground that there is a dispute in the matter which the parties have agreed to refer to arbitration.

Mr Justice Saville so held when staying proceedings for summary judgment brought by the defendant reinsured, Mr E.E. Nelson, against reinsurer, Home Insurance Co, third party in an action by plaintiff Lloyd's underwriter, Mr J.W. Hayter.

HIS LORDSHIP said that the reinsured sought summary judgment against the reinsurer. The latter sought a stay of proceedings under section 1 of the Arbitration Act 1975.

The reinsured's claim was for indemnity in respect of sums they had been ordered to pay to Lloyd's underwriters by arbitration award and court judgment.

In each case the underwrit-

ers were held entitled to recover under a whole portfolio reinsurance treaty.

The indemnity claim was based on a whole portfolio reinsurance treaty by which the reinsurers agreed with the reinsured to accept by retrocession 100 per cent of the portfolio reinsurance treaty.

The retrocession treaty incorporated the reinsurance treaty and provided that the reinsurer should "in all circumstances follow the fortunes" of the reinsured in respect of the reinsurance treaty.

The arbitration clause in the retrocession treaty provided "any difference arising out of this agreement which cannot be settled amicably, shall be referred to arbitration."

The arbitration agreement was a non-domestic agreement, and thus one to which section 10 of the Arbitration Act 1975 applied.

Section 10 provided that if a party to an arbitration agreement began court proceedings "in respect of any matter agreed to be referred," any party might apply to the court for a stay; and the court, "unless satisfied . . . that there is not in fact any dispute between the parties with regard to the matter agreed to be referred, shall make an order staying the proceedings."

If the conditions of the subsection were met, the court must stay the proceedings. It

had no discretion.

On the application for a stay the two issues were whether the reinsured had begun legal proceedings "in respect of any matter agreed to be referred," and whether the court was satisfied that there was "not in fact any dispute between the parties with regard to the matter to be referred."

The reinsured's claim depended on rights under the retrocession treaty. The reinsurers accepted the validity of the treaty, but did not agree that the rights and obligations under it were as asserted by the reinsured.

The question was whether there were "differences" between the parties relating to those contentions. The court assumed for present purposes that "differences" in an arbitration clause and "disputes," bore the same meaning.

In some cases it was suggested that if a claim was indisputable, in that it could not be resisted on the facts or the law, there was no dispute or difference within the meaning of the arbitration clause (see *Ellis v Wates* [1978] 1 Lloyd's Rep 33, 37).

To treat "disputes" or "differences" in the context of an ordinary arbitration clause as bearing such a meaning, led to absurdity, and involved giving them a meaning which, in context, was difficult to support. In *Ellis v Wates* [1978] 1 W.L.R. 1375, Lord Justice Tem-

pleman said: "There is a dispute until the defendant admits that the sum is due and payable."

The fact that it could be easily and immediately demonstrated beyond doubt that one party was right and the other wrong, did not mean that the dispute did not exist. The ordinary meaning of "disputes" or "differences" should be applied in arbitration clauses.

It was sometimes suggested that since arbitrations provided great scope for a defendant to delay paying sums due, the courts should construe the words to exclude such cases.

There were at least three answers to that suggestion.

First, it assumed that arbitrations were necessarily slow processes. That could not be accepted as a general or universal truth. Arbitrators had ways and means of proceeding as quickly as the courts.

Second, by their arbitration clause the parties had made an agreement that in place of the courts, their disputes should be resolved by a private tribunal.

Third, if the courts were to decide whether or not a claim was "disputable," they were doing precisely what the parties had agreed should be done by the private tribunal. There was no good reason why courts should strive to take matters out of the tribunal's hands.

The present proceedings were in respect of a "matter agreed to be referred" within the meaning of section 10. A "difference" existed between them in respect of their rights and obligations arising out of the agreement to which the arbitration clause referred.

Mr Edelman for the reinsured submitted that there was not any "dispute" with regard to "the matter to be referred" within section 10, because the reinsured's claims were indisputable as a matter of fact and law. They had been adjudged liable to the underwriters after contested hearings.

That reasoning involved reading "there is not in fact any dispute . . ." as confining "dispute" to disputable matters. The phrase "or that there is not in fact any dispute . . ." resulted from a recommendation by the Mackinnon Committee (Cmd 2817), that the court should stay the action if satisfied that there was a "real" dispute to be determined by arbitration.

The words on their face appeared to indicate that there could be a "matter agreed to be referred" though there was no dispute.

That apparent absurdity could only be resolved by treating "dispute" in the context of the Act as meaning something different from the word as used in ordinary arbitration clauses, so that reading the phrase as a whole, "there is not in fact any dispute," meant "there is not in fact anything disputable."

That reading alone fitted the meaning of section 10. A "difference" existed between them in respect of their rights and obligations arising out of the agreement to which the arbitration clause referred.

Mr Edelman for the reinsured submitted that there was not any "dispute" with regard to "the matter to be referred" within section 10, because the reinsured's claims were indisputable as a matter of fact and law. They had been adjudged liable to the underwriters after contested hearings.

That reasoning involved reading "there is not in fact any dispute . . ." as confining "dispute" to disputable matters. The phrase "or that there is not in fact any dispute . . ." resulted from a recommendation by the Mackinnon Committee (Cmd 2817), that the court should stay the action if satisfied that there was a "real" dispute to be determined by arbitration.

When considering an application for summary judgment, a factor to be taken into account was the existence of an arbitration agreement (see *Home Insurance v Mentor* [1989] 3 All ER 74 per Lord Justice Bingham).

So only in the simplest and clearest cases, that is where it was readily and immediately demonstrable that the respondent had no good grounds at all for disputing the claim, should that party be deprived of his contractual right to arbitrate.

The question was whether it was readily and immediately demonstrable in the present case that the reinsurers had no good grounds at all for disputing the claim.

That could only be the case if the reinsurers were not allowed to go behind the judgment and the award.

There was no express provision in the retrocession treaty that retrocessionnaires would be bound by judgments given or awards made against the reinsured.

Mr Edelman submitted that such an agreement was implicit in the promise "in all circumstances to follow the fortunes" of the reinsured. The difficulty he faced was twofold. First, there was no

authority on the meaning of a "follow the fortunes" clause, though the use of such clauses was commonplace in the reinsurance and retrocession business.

Second, it was clear from text book writers that there was considerable uncertainty, not to say confusion, as to what was meant by "follow the fortunes."

Those versed in the business were as well or better able than the court to judge what the parties meant. The court was not so sure that Mr Edelman was right in his suggested construction of the "follow the fortunes" clause that it was satisfied there was "not in fact any dispute . . ." with regard to the matter agreed . . . to be referred.

Not only was the meaning of the clause open to doubt, but also a tribunal of the kind agreed in the arbitration clause was in a far better position than the court to judge whether the reinsurers undertook to be bound by judgments or awards against the reinsured.

Accordingly, the proceedings were stayed under section 10 and the application for summary judgment must fail.

For the reinsured: Colin Edelman (Bray Walker).

For the reinsurers: Jeffrey Crider (Richards Butler).

Rachel Davies
Barrister

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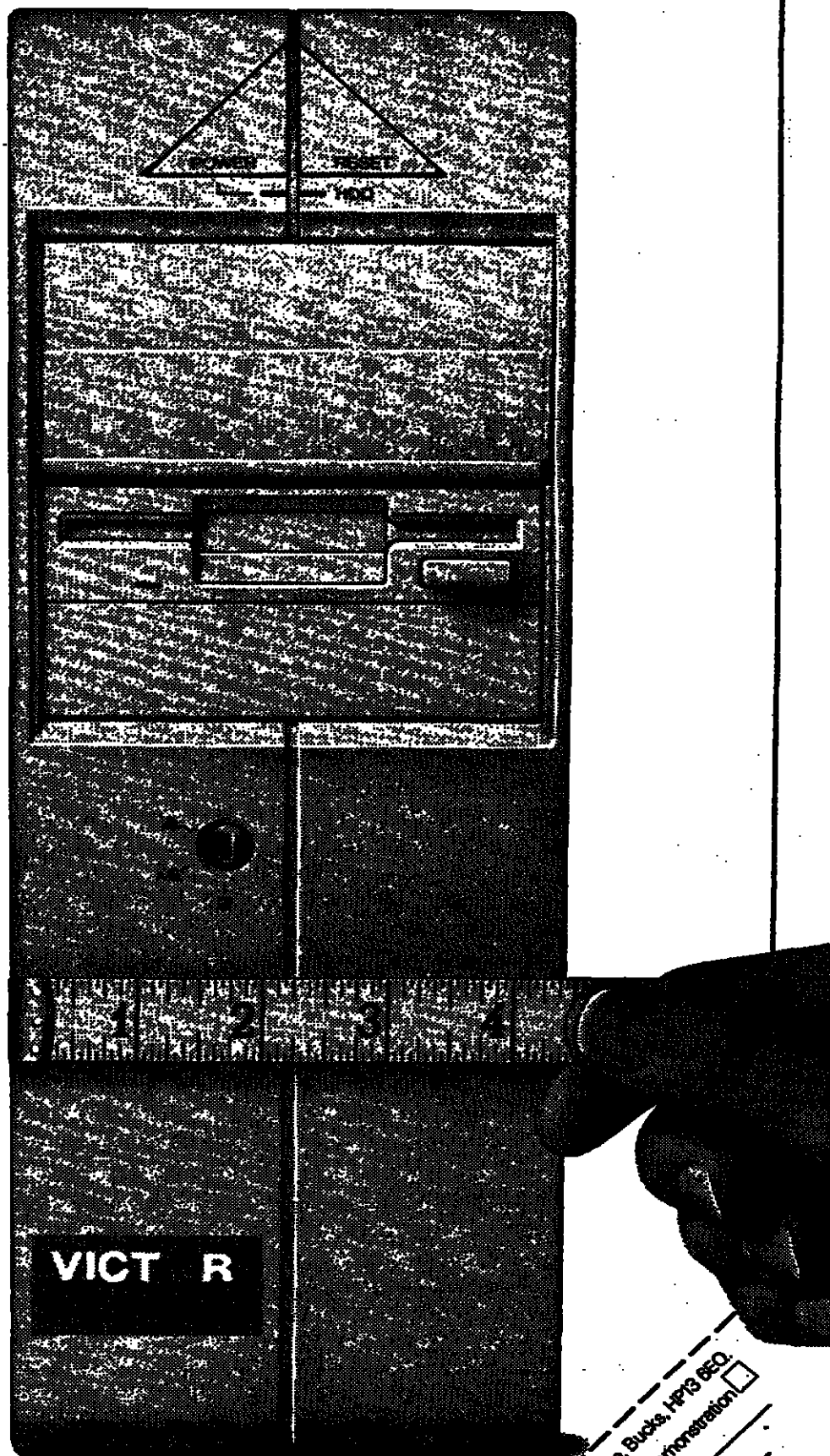
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MANAGEMENT

Even in unsettled countries, joint ventures have a chance of success. John Thornhill and Robin Pauley report from Lithuania and China

Teaming up to score from perestroika

Although joint ventures in the Soviet Union promise much for Western companies, all too often they produce little in the way of material reward and still less in terms of hard-currency profits.

It can take years to negotiate trade terms with obdurate bureaucrats and any hard-won benefits can be swept away overnight by seemingly arbitrary legislation or endangered by political turmoil.

Despite the glamour of glasnost, perestroika still entails considerable perils and the record of establishing and running joint ventures is not good. Since January 1987 more than 1,000 joint ventures have been set up, mostly in the service or distribution industries, but because of various difficulties it has been estimated that only about 40 of these are working effectively.

Marvel then at the achievement of Clearmark Group, a small UK leisure company with no previous experience in dealing with the Soviet Union, which has just succeeded in setting up a joint venture in Lithuania to make plastic footballs. The plant is already up and running and manufacturing footballs of good quality. Clearmark plans to produce 2m footballs this year and is lining up exports to Poland.

Perhaps the most remarkable aspect of the deal is the speed with which it was completed. From the first meeting to production of the first football took less than nine months and the company is convinced that with sufficient determination even the most daunting of obstacles can be

overcome and that the Soviet market of 280m people is there to be exploited.

Clearmark Group, formerly known as Fergabrook, had experienced a troubled trading history since joining the Unlisted Securities Market in 1984, but first started looking at overseas manufacturing opportunities in 1988 after it was the subject of a reverse takeover by Harrison's Harlestone Industries.

The enlarged company, which included the Wembley and Frido brand names, manufactured about 12m footballs a year - accounting for over three-quarters of the UK market.

Expansion overseas seemed a sensible way of using some of its surplus manufacturing equipment which was languishing in storage.

Clearmark's executives trailed the world looking for market opportunities. At various stages they considered setting up joint ventures in Turkey, Egypt, Australia, Thailand and China. But at the Earls Court Toy Fair at the beginning of 1989 they came across a businessman who had contacts in the Soviet Union.

He put them in touch with a contact who knew an enterprise in Lithuania, called Neriga, which was interested in forming joint ventures. So in April last year Neville Sykes, managing director of the Frido football-making subsidiary, arranged a meeting and flew out to Lithuania, a region he

admits that he had never previously heard of, let alone visited.

Sykes was somewhat dismayed at the primitiveness of Neriga's factories - like many Soviet enterprises it manufactured a hotch-potch of products ranging from jerry cans and polyethylene packaging, toys, dolls to model cars but he was immediately bowled over by the enthusiasm of the management and the fervent desire to conclude a deal.

Algimantas Matulevicius, Neriga's irrepressible 42-year-old manager, says that his negotiating hand had been freed by clearing things in advance with the relevant bureaucracy. "Before the people from England came out we had already decided how far we could take the talks. This made everything a lot quicker as issues could be sorted out without reference to a Ministry."

Talks between the two sides continued through the summer. In June, Neriga's senior management visited the UK and hammered out a protocol agreement on co-operation. Then, in September, a team of six from Clearmark travelled to Lithuania to settle the final details.

After landing, they travelled for 14 hours crammed into a minibus and began three days of intense and, at times, strained negotiations which culminated in the conclusion of the joint venture agreement. The talks were, however,



Richard King (left) and Algimantas Matulevicius

dogged with difficulties over understanding the other's point of view which led to several tense exchanges. "Their whole way of life is so different. They do not operate under the same commercial pressures as we do," explains Richard King, Clearmark's chairman. "They put great emphasis on hospitality and protocol. We wanted to sit down and talk; they wanted to take us on a 50-mile trip to see a cathedral."

The difficulties arose not only from cultural differences but also from conceptual confusions. Fervent discussions were held over the concepts of profits, credit, capital employed and cash flow before any agreement could be sorted out. But King says that through a mixture of Clearmark's determination and Neriga's enthusiasm these difficulties were overcome.

It was agreed that the new venture, called Wembley-Neriga, was to be run by a board

of six: three from each side. The board would meet four times a year alternating between Lithuania and the UK. The joint venture planned to manufacture 2m footballs in 1990, half of which would be sold within the Soviet Union, the rest in Western markets to bring in hard currency earnings for both partners. Profits would be divided equally.

Once the negotiations were complete, Clearmark drew up a critical path analysis listing everything needed to begin manufacturing. King says the company knew that it could not rely on obtaining what it wanted in Lithuania. "So we ensured that we took along everything and more to make certain that we did not get hung up on the availability of a Philips screw."

The equipment, which was being stored in Northampton, was shipped out at the end of October accompanied by a team of eight Clearmark employees. The plant was set up by the end of December and on January 4 the first football was inflated on the production line.

Nearly all the raw materials were sourced from within the Soviet Union - only the valves for the footballs were imported. King accepts that it takes considerable effort to ensure the continuity of supplies. "They do not have a just-in-time mentality. You cannot pick up the phone and get your nuts and bolts through a normal distribution outlet as we

would expect in the West. It takes more planning but that is one of the areas where our expertise comes into play."

Three Clearmark managers are currently stationed in Vilnius supervising the production process. One looks after the day shift, one covers the night shift, and the other helps supervise the marketing and distribution arrangements.

Sykes also spends about half his time at the plant dealing with any emergencies. But it is hoped that by the end of this year, the plant will be entirely self-managing and will need little day-to-day operational help from Clearmark.

For Clearmark, the joint venture represents an outlay of only about £350,000, but it has involved considerable expenditure in terms of time and effort. Although the company is sober about its immediate prospects, it insists that the venture makes hard-headed commercial sense. "We are at a very early stage and we shall develop this project on a long-term conservative basis. We want to develop the Wembley name in the Soviet Union and get a foothold in the market," King says.

But it is obvious when talking to Matulevicius that for him the venture represents far more than just a business proposition; it outlines a model for the future economic development of the region.

Western management theories and techniques are now gradually being infused into

the new venture. Teams of Lithuanian workers have come to the UK to learn improved production practices. A rudimentary computer system has been installed to help sort out stock control and basic administrative tasks and Neriga's employees are being trained in its use.

Matulevicius has also shaken up the company's management, simplifying its structure and cutting the number. Previously there were 350 administrative staff; now there are 205 - about 20 have left and 30 have moved into manufacturing jobs.

His latent capitalist hormones now seem to be exerting their influence and he talks eagerly about expanding the enterprise by taking on new manufacturing projects. Neriga is trying to develop direct trading relationships with enterprises throughout the Soviet Union without recourse to the bureaucratic centre.

Matulevicius perhaps represents a new breed of businessman; a quick-witted, energetic economics graduate, he is eager to learn about Western management techniques.

But he realises that the development of enterprises such as Neriga will owe much to the general political and economic development in Lithuania, a process in which he plays a not inconsiderable part. But despite the current dispute over Lithuania's secession from the Soviet Union, Matulevicius believes that trading ties will be maintained. "The economy of the republics is integrated and it would not be sensible to break these links," he says.

Pilkington's people on site in China. "By last April there was only Briton left - the general manager - and he has now returned to England," says Zhang.

The venture has direct competition from Guangdong Float Glass Company, a joint venture with PPG Industries of the US, which is based in the special economic zone of Shenzhen, just across the border from Hong Kong.

"Luckily, our quality and range of glass has been better than our competitors so far and we have to try to maintain that. We are also thinking of moving into glass processing to make mirrors and other such products. We have to keep ahead because soon there will be much more competition. Indonesia, Thailand and Korea could all be serious competitors. We are on top. We must stay there," says Zhang.

Robin Pauley

Troublesome cracks have appeared in most foreign joint ventures in China during the past year. Pilkington's glass-making project has been the exception; it has floated smoothly to maximum production and full order books.

The project had an unstable start, sited on the banks of the Huangpu River in the Pudong district of Shanghai, the complicated plant and furnace structure kept sinking into the mud. Nevertheless, production started only three months late in December 1987.

By March 1989 the target output of 5,000 tons a week of float glass of the highest quality was reached together with a full export order book. An estimated \$80m of foreign exchange income was generated in 1989. "This means we can repay about Yuan 80m of loans and keep a small foreign exchange surplus," says Zhang San Fu, the acting general manager.

The float glass plant is a joint venture between four parties: Pilkington of the UK and Austrian-based United Development Industry; the Bank of China; the Shanghai Yaohua General Glass Plant; and the State General Company of Building Materials. The Pilkington UDI investment was Renminbi 41.3m (£5.4m) in sterling, representing a 25 per cent stake. The Bank of China's investment was in US dollars, the other two stakes in local renminbi.

Soon after the factory got into full swing China introduced its swinging economic austerity programme to try to secure a rapid cooling down of demand and to curb spiralling inflation. The effects were dramatic for both domestic and joint

venture industries. Construction halted all over China; all the joint venture car manufacturers, including GM, Peugeot and Volkswagen, halted production temporarily at different times as demand collapsed and stocks of unsold cars mounted up.

"We were affected very badly in the domestic side of our markets as we supplied laminated glass for windcreens to Peugeot, Volkswagen and Beijing Jeep and large amounts of glass to housing, office and hotel projects. We had to change quickly," says Zhang, pointing to a production line which used to make glass for Volkswagen Shanghai but, because the car production line had halted, was making a different type and thickness of glass for Japanese photocopying

machines. "In 1989 we made only 18,000 tonnes of glass for export - about 15 per cent of total production. When the austerity programme started towards the end of 1988 we concentrated hard on overseas sales, seeing the domestic problems which would arise. More than 60 per cent of production is now exported."

Switching product and markets was easier than dealing with another aspect of the austerity programme: the credit squeeze. The Bank of China raised substantially the interest rate on its loan, only to modify it because it was one of the joint venture partners. Similarly the Construction Bank more than doubled its original interest rate, though the venture's management is taking a stand normal for west-

ern managements but uncharacteristic for the Chinese. "We are redesigning. They must stick to what was negotiated. This sort of thing seriously affects our reinvestment plans and our financial projections. As a result of the financial situation the directors proposed no dividend for 1989 but the directors do want to make a dividend payment in 1990," says Zhang.

The key to the project's success has been insistence from the outset on management by management and rigorous quality control, an alien concept to most Chinese factories and their workforces. No concessions were made for the domestic market; if it wanted the highest quality glass it had to pay a high price.

The glass had to be at least the

same quality as that produced by Pilkington's British plant at St. Helen's, in Lancashire. Glass with the smallest flaw is scrapped and workers have been forced to take responsibility for ensuring that their own part of the production chain operates at the highest efficiency. "This is a matter of pride for them. We must do at least as well as them. We monitor individual and management performance. There is a bonus system to reward workers for extra work and for high quality standards. We have very strict discipline. If it is violated the worker is either punished or sacked," says Zhang.

More than 100 people were sent to St. Helen's for training and in the beginning there were more than 60

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Salient dates of rights issue

The Johannesburg Stock Exchange ("the JSE") has granted a listing of the renounceable (nil paid) letters of allocation and of the ordinary shares of 2 cents each ("the ordinary shares") which will result from the rights issue of 13 162 500 ordinary shares at 225 cents per share on the basis of 185 new ordinary shares for every 100 existing ordinary shares held on 23 March 1990. An application has been made to The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited ("the ISE") to admit to the Official List the new ordinary shares to be issued in terms of the rights offer. Simmer will therefore proceed with the rights issue to raise R29 615 625.

Assuming application is granted for listing on the ISE the important dates relating to the rights issue are:

	1990
Last day for Simmer shareholders to register for the rights issue	Friday, 23 March
Dealings commence in renounceable (nil paid) letters of allocation on the JSE and the ISE under rule 595.4	Monday, 26 March
Edging ordinary shares listed ex rights on both the JSE and the ISE	Monday, 26 March
Posting of renounceable (nil paid) letters of allocation and rights issue circular in Johannesburg and London	Friday, 30 March
Rights issue opens at 09h30 in Johannesburg and at 09h00 in London	Friday, 30 March
Last day for dealing in renounceable (nil paid) letters of allocation on the JSE	Wednesday, 18 April
Last day for dealing in renounceable (nil paid) letters of allocation in London by 14h30	Wednesday, 18 April
Last day for dealing in renounceable (nil paid) letters of allocation in Johannesburg by 14h30	Thursday, 19 April
Listing of new ordinary shares commences on the JSE	Thursday, 19 April
Last day for dealing in renounceable (nil paid) letters of allocation on the ISE	Friday, 20 April
Rights issue closes - last day for payment to be made by 14h30	Friday, 20 April
Dealings commence in new ordinary shares (fully paid) on the Official List of the ISE	Monday, 23 April
Last day for receipt of postal acceptances in Johannesburg and London (14h30 - local time), subject to a postmark of not later than Friday, 20 April 1990	Wednesday, 25 April
Refund cheques posted on or before	Monday, 30 April
New ordinary share certificates posted by	Monday, 30 April

A copy of the rights issue circular including the renounceable (nil paid) letter of allocation, which are to be posted to Simmer shareholders on Friday, 30 March 1990, will be available for inspection at the offices of -

1. Simmer at 5th Floor, Owen Lane, Southern Life Gardens, 3 Owen Lane, Sandown, Sandton;
2. Barclays Registrars Limited at 6 Greencoat Place, London SW1P 1PL;
3. DMB Securities Limited at 3rd Floor, 72 Grayston Drive, Sandown, Sandton;
4. Franklin, Kruger, Vinderrine Inc. at 4th Floor, The Johannesburg Stock Exchange, Diagonal Street, Johannesburg;
5. RND International Limited, Suite 37 - 41, Warrford Court, 29 Thegerton Str., London, EC2N 2AT; during normal business hours for the period from Friday, 23 March 1990, to Friday, 20 April 1990.

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TECHNOLOGY

Peter Knight reports on the efforts of chemical companies to develop biodegradable materials with the durability of plastic

A package deal for consumer products

Next time you want to be objectionable, try this. Buy a magazine from a newsagent and if the salesperson slips it into a plastic bag, reject the bag on environmental grounds. You may be told you have no choice. Then be prepared for a lecture on security procedures in the retail sector.

More enlightened retailers are becoming aware of the growing consumer resistance to overpacking and are cutting down on unnecessary plastics. "It's quite clear that consumers are now almost more aware of the packaging than the product," says John Elkington, environmental consultant and co-author of the Green Consumers' Guide.

Safeway, the supermarket chain, has introduced recycling bins for its shopping bags. Other chains charge for the bags to encourage re-use. Some organisations, such as the UK's National Trust, distribute magazines to members in plastic post bags labelled "biodegradable".

Packagers are under pressure on two fronts. First from consumers who are beginning to resist goods they view as over-packaged. Second, legislation forcing a change in the way many products are packed. The laws are in response to litter problems, diminishing landfill sites and the high cost and possible dangers of domestic waste incineration.

Some European countries and US states have passed laws that control the types of products, especially plastics, used in packaging. The Italians will ban some plastic bags by next year. The Danes are thinking of banning all plastic packaging and already insist that beer be sold in returnable containers.

The EC is pushing through European-wide directives which will have far-reaching effects on packaging. For example, the wording of the 1985 directive on beverage containers is being strengthened to get more cans and bottles recycled. The new draft will be put to the environment council in June, and businesses expect tough targets. The EC may insist that up to 70 per cent of the containers be recycled - either burned as energy or to make similar plastic products.

The UK Government has called on local authorities to recycle half of all its recyclable waste by the end of the century. Plastics account for nearly 40 per cent of the packaging used in the UK. In the US plastics make up to a third of the volume of waste dumped. Most plastics can remain in the environment for four centuries.

The solution to the problem of domestic plastic waste is unclear. Environmentalists first argued for the use of degradable plastics that would rot in landfills. But they soon discovered technical problems with this solution and now champion recycling, although experts warn that this too could be dangerous.

Industry, especially the food sector, is confused because decisions on packaging are fundamental to the presentation, transport and shelf-life of

its products. "The pace of change has been so fast it's caught us on the hop," says David Bonney, general manager in charge of biscuit marketing at United Biscuits.

His company used to wrap its biscuits in paper. About 15 years ago it changed to polythene. Now it uses aluminium coated plastic, a material which is not easily recyclable or reusable. "There is a certain ambivalence among consumers. They want convenience foods but they also want the product to be environment friendly," says Bonney.

Part of the reason for this ambivalence is confusion about plastics and the multitude of materials lumped under the tag "thermoplastics", which include a number of packaging plastics (see diagram). A bottle made from polyethylene terephthalate (PET), for example, is inexpensive to make and so light in weight that it is cheaper to transport than, say, an equivalent glass bottle. Like glass, PET can be recycled as long as a collection system is set up.

Although thermoplastics are recyclable, packaging is often made from a mixture of several types. This makes recycling difficult and often impractical. A bottle made from polyethylene terephthalate (PET), for example, is inexpensive to make and so light in weight that it is cheaper to transport than, say, an equivalent glass bottle. Like glass, PET can be recycled as long as a collection system is set up.

The industry argues that the recycling of most domestic plastic waste is uneconomic because the cost of raw materials is much lower than recycled stock. Supermarkets such as Tesco and the Co-op in the UK have begun labelling different types of plastics to help customers identify the materials for recycling. In France, for example, PET mineral water bottles are collected in bottle banks. Similar schemes have just begun in some parts of the UK.

But the amount of domestic plastic recycled in the EC is minimal. "It is not economically viable to recycle the plastics you find in your rubbish bin," says Colin Williamson of the Cookson Group. His company recycles plastics collected from industry, such as car battery containers, to make objects such as water tanks.

A logical, but as yet unrealistic, alternative to the overlasting properties of plastic waste is to use an equivalent that is designed to rot. Most plastic is made mainly from oil. Hydrocarbon molecules, called polymers, are repeated in chains that are

Common recyclable packaging plastics

Polythene or low-density polyethylene (LDPE)

Bin liners, soft detergent bottles

High-density polyethylene (HDPE)

Bottles for pharmaceuticals, fruit juice, milk

Polypropylene

Margarine tubs, biscuit wrapping film

Polystyrene

Clear egg-packs, bottle tops

Foamed polystyrene

Packing material for electronic goods, food trays, cups

Acrylonitrile butadiene styrene (ABS)

Protective helmets, telephones

Polyvinyl chloride (PVC)

Credit cards, shampoo bottles, household cleaners, water pipes

Polyethylene terephthalate (PET)

Mineral water and fizzy-drink bottles

too long for microbes to break down. One of the solutions to this problem is to make the polymer chains sensitive to ultra-violet light. Photo-sensitive plastic breaks down into smaller pieces if left in sunlight but the process will not work effectively if the product is buried. These plastics are up to 15 per cent more expensive than the conventional equivalents but are favoured by some companies to trumpet their environmental sensitivities.

Friends of the Earth, the environmental lobby group, says biodegradable plastics can cause problems such as ground-water pollution and unwanted gas generation. The group's US counterpart has joined with five

other environmental organisations in calling for a nationwide boycott of all degradable plastics.

This attitude suits those in the plastics recycling business. Williamson says biodegradable plastics pose a threat to his business because their accidental inclusion in the recycling process could ruin the quality of his product. "Sheeting sold to a builder for damp roofing could run into holes in a few years if there is starch in the plastic," he warns.

But chemical companies are working hard to produce fully biodegradable packaging that retains the characteristics of plastic. ICI of the UK hopes to introduce such a product within the next two to five years. It is based on a material formed by bacterial action and will be decomposed by natural enzymes in soil.

Warner-Lambert, the US healthcare company, says it has produced a biodegradable plastic from starch. The material, called Novon, has many of the characteristics of petroleum-based plastics and could be used for disposable cups and plates now made from polystyrene.

In Vienna, Biologische Verpackungs-systeme produces a starch-based packing material suitable for salvers, trays, cups, dishes, boxes and egg-boxes. It is claimed to be fully biodegradable. Similar products are available from a number of companies working in this field.

Batelle, the international technology consultancy, says its Frankfurt laboratory has produced a starch-based biodegradable material suitable for packaging a wide range of consumer goods including batteries and toys. It will degrade into carbon dioxide and water when it comes into prolonged contact with water or moist soil.

Meanwhile Batelle is also seeking patents for plastics made from vegetable oils. The oil's fatty acids are linked to produce plastic-type polymers. This plastic should, it says, pose no threat to the environment and by-products could be used to reduce fertiliser consumption on farms. The price will be similar to current petroleum-based plastics.

Dr Rainer Frische of Batelle says fully biodegradable plastics will find a sizable market, and that industry and agriculture will be the first to benefit. But he warns against the recycling of domestic plastic. "It is dangerous to recycle these plastics because they can absorb hazardous substances and these will be a danger to people working the machines."

Frische recommends recycling industrial plastics where the contents are known, using biodegradable plastics in suitable areas and incinerating domestic waste at high temperatures. He also sees scope for hydro-cracking or pyrolysis - using extremely high temperatures to reduce plastics to their raw materials.

Another solution could come from the Japanese. They are developing an edible plastic designed to coat food and then be cooked with it.

Vickers drives off with Cosworth

Two big names in automotive engineering came closer together yesterday when Vickers, the parent company of Rolls-Royce Motors, the luxury car maker, bought Cosworth Engineering, the high-performance engine consultancy and manufacturer, from Carlton Communications, the digital processing and engineering company.

Cosworth is a high octane company in the world of internal combustion engines. Its engine power half the Formula One grand prix racing cars - a Cosworth powered Tyrrell Ford came second in the recent US grand prix.

Ford has sought to exploit this racing pedigree with its use of Cosworth engines in the Ford Sierra. Cosworth technology has also been called on by Mercedes Benz and Opel, the German part of General Motors. Other car manufacturers, including Jaguar, have used Cosworth to make specialised parts of engines, such as precision castings.

So why did Vickers buy Cosworth? Mike Dunn, director of engineering at Rolls-Royce (which also owns Bentley) and the chairman designate of Cosworth, said yesterday: "It does not mean that you are going to see a fleet of Bentley-Cosworth cars. The purchase was not designed to fill any gaps in Rolls-Royce capability. Cosworth is to operate as a separate core business within Vickers."

Richard Bulman, managing director of Cosworth, said the company combines the design and manufacture of high-performance engines using an alloy casting process and in-house designed machining capability.

The casting process enables Cosworth to make low-pressure, high-precision castings using sand impregnated with silicon. "The recovery of the cast dimensions saves machining time and produces castings with greater integrity than conventional casting processes, which eliminates weakness and porosity in the casting," says Bulman.

Bringing Cosworth under the ownership of Vickers gives the engine company the opportunity to seek business with any car manufacturer, since it will not be tied to a single company. The connection with

Vickers also gives Cosworth "a much bigger world market to go for," Bulman said.

Specialised companies designing internal combustion engines face increasingly contradictory requirements, including designing high-performance engines while performance engines are seeking tighter control of exhaust emissions and higher fuel efficiency.

Dunn said: "If you have a genuine high-performance engine you should also have efficient combustion and low emissions, but everything about the engine has to be right. If everything is not, such as a high temperature peak in the engine cycle, this can increase the emission of nitrogen oxides. There is no let out for high performance engines from meeting emission and fuel efficiency standards."

Cosworth has competition from other specialist internal combustion engine designers and manufacturers, including Ricardo Engineering of Shoreham by Sea, Sussex, which is making extensive use of computer techniques such as computational fluid dynamics to design engines. Brian Randall of Ricardo said that a prime concern in engine design is the need for alternative fuels to cut emissions. In ideal engine combustion, all of a hydrocarbon fuel would be converted to water and carbon dioxide.

Engine companies are also searching for ways of making engines more "drivable". This means making sure the engine is able to offer a smooth, continuously increasing power output as the engine revolutions increase. The search for drivability involves studying variations in the combustion cycles and assessing the degree of variability.

Rolls-Royce aims to produce cars and engines that last for 50 years, according to Dunn. Cosworth, on the other hand, is producing some grand prix racing engines that may last only 50 hours.

But these requirements may not be as conflicting as they appear. Rolls-Royce is already making use of the Cosworth casting and machine tool techniques, material developments and engine breathing technology.

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Wednesday March 28 1990

Gorbachev on the brink

ALL TOO many signs suggest that the irreparable is about to occur in Lithuania. The pledge not to use force has been qualified by Mr Gorbachev, who on Monday told Senator Edward Kennedy there would be no use of force "unless lives were threatened." As the Lithuanian president, Mr Vytautas Landsbergis, commented, that is a threat which the Soviet armed forces "could create very easily themselves." Indeed, the line has already been crossed, with the military occupation of premises belonging to the Lithuanian Communist Party and, especially, the forcible seizure of Lithuanian deserters from a psychiatric hospital.

The targets, so far, have been carefully chosen, so that the action can be presented as necessary for the preservation of pan-Soviet institutions: the Communist Party and the armed forces - rather than as a direct attack on the Lithuanian people and their representative institutions. Yet it looks either a piece of crude intimidation or calculated to provoke a violent response in the hope that subsequent bloodshed and loss of life would be blamed on the Lithuanians themselves. What could be more likely to produce ethnic violence than the dropping of missiles from helicopters, or leaflets urging people to join a rally outside parliament, organised by a pro-Moscow group composed mainly of Russians?

In the event, that rally was attended by fewer than 5,000 people and passed off peacefully. Most of the Russian population headed Mr Landsbergis's plea to stay away; and the self-discipline of the Lithuanians in refraining from violence even under intense provocation, has been far beyond the extraordinary. It makes all the more insulting, and alarming, statements such as that of the Soviet ambassador to the European Community, who said yesterday that Soviet troops were in Lithuania to keep ethnic peace, and to avoid possible nationalist violence such as occurred in Azerbaijan.

Western help

Mr Landsbergis yesterday appealed to "the West" for help, asking rhetorically whether it was "once again

willing to sell Lithuania to the Soviet Union." That is unfair, unless in Lithuania minds "the West" includes Nazi Germany. Neither the US nor Britain has ever suggested the incorporation of Lithuania into the Soviet Union as legally valid. But Lithuania's geographical situation makes it quite unrealistic to expect Western military support, and it is unlikely that Mr Landsbergis had that in mind.

Formal recognition

Nor, so far, has he requested formal diplomatic recognition for his government. If he did, it is unlikely as things stand that many Western countries could comply. British doctrine (like French) is now that states rather than governments receive recognition. Is Lithuania a state? Clearly the majority of its people want it to be one, but equally clearly they do not as yet control the essential levers of state power, foremost amongst which is the monopoly of armed force. It is also questionable whether recognition, if unaccompanied by practical help, would not simply provide an additional pretext for Soviet military action.

The only effective help the West can offer is somehow to dissuade Moscow from moving further down that path. If that can be done, it is not by threatening specific sanctions but by reminding Mr Gorbachev and his colleagues what is really at stake. A "Tiananmen" solution in Vilnius would not directly threaten world peace, but it would destroy at a stroke the whole new climate of East-West relations which Mr Gorbachev has striven so hard and sacrificed so much to create.

Arms control agreements are the result of that climate much more than the cause. The cause is the new atmosphere of freedom in the Soviet Union and eastern Europe, which makes possible a relationship of mutual trust between them and other free societies. If "order" is imposed in Vilnius by Soviet tanks all that will have gone. It would be a great tragedy for the world, but most especially for the Soviet Union. It should not come to that. The negotiations requested by the Lithuanian leadership offer far better way of resolving the crisis.

A cautious move on vouchers

THE MOST welcome aspect of the British Government's training credit scheme for young school leavers is that it is being introduced on a pilot basis. There is to be no sudden change-over, no quick fix. Instead, employer-led training and Enterprise Councils (TECs) are being invited to bid for contracts to run 10 pilot projects from next April; only about 10 per cent of 16 and 17 year old school leavers will be involved in the trials. Mr Michael Howard and Mr John MacGregor, the minister responsible, yesterday pledged that all the schemes would be rigorously evaluated.

This is a suitably cautious approach to what might become a radical switch of emphasis. It contrasts starkly with the Government's strategy in other areas of social policy. For example, Mr Kenneth Clarke, the Health Secretary, has repeatedly ruled out pilot studies. He is attempting to implement a radical and untested policy on a nationwide basis without any prior evaluation or experimentation.

Pilot studies have a twin advantage. If they fail, little harm is done; if they succeed, they generate the enthusiasm and confidence that is necessary if new policies are to gain widespread acceptance. Under yesterday's training initiative, young people in the pilot schemes will receive credits with a face value of up to £1,500. The TECs will be responsible for ensuring that the vouchers are used for training which is relevant to the needs of employers and which meets approved quality standards. Young school-leavers will be able to use the credits either to purchase training provided by their employers or to pay for courses offered by specialist training providers. Mr Howard hopes the credits will "excite young people about the benefits of continuing in training and further education" and thus raise the quantity and quality of training provided in the UK.

Vocational training

In the past, the state has borne the tuition costs of post 16 academic education but required school-leavers (or employers) to finance most vocational training. This was

palpably unfair and perhaps helps explain why Britain's vocational education record is so poor. The provision of training credits may help redress the balance. But their motivational force remains uncertain. Youngsters may regard the vouchers as something which they have to spend; on the other hand, in a labour market that is tight for demographic reasons, many school-leavers may ignore the credits and concentrate on securing full-time employment.

No precedent

As a means of boosting training, vouchers may thus prove disappointing. There is no international precedent for vouchers as something which they have to spend; on the other hand, in a labour market that is tight for demographic reasons, many school-leavers may ignore the credits and concentrate on securing full-time employment.

The logic of vouchers is to shift power from the producers to the consumers of a service. In giving youngsters purchasing power, the Government is implicitly arguing that they should decide what kind of training is in their own interests. This is in many ways an attractive policy. But it runs counter to the strategy behind TECs, which is that employers or producers are the best arbiters of training needs. The tension is already evident in the Government's decision that of public-sector agencies. So the Government's decision to experiment with a consumer-led solution is timely.

Producer-led TECs were inspired by the Reagan Administration's Job Training Partnership Act, which introduced private industry councils (PICs). Recent studies, however, suggest that the record of PICs is no better than that of public-sector agencies. So the Government's decision to experiment with a consumer-led solution is timely.

Quentin Peel detects an air of unreality in Lithuania's conflict with Moscow

The border between the rebellious republic of Lithuania, hell-bent on recovering its independence from the Soviet Union, and the neighbouring Soviet republic of Belorussia, is virtually non-existent.

A heavy concrete slab which used to proclaim the "Lithuanian Soviet Socialist Republic" has been symbolically blanked out with white paint. It is not clear whether it was done by supporters or opponents of Lithuania's independent statehood.

All that is left to mark the spot is a picnic place for passing motorists. There is not a soldier in sight, nor anyone who might enforce either the unity or disintegration of the country.

In the drowsy little villages nearby, the newspapers are still delivered by an old lady with a horse and cart.

The whole conflict between tiny Lithuania, with a population of 3.6m, tucked away in the top left hand corner of the Soviet empire, and mighty Moscow, has an air of unreality, if not surrealism.

In the smart new parliament building in central Vilnius, all copper-tinted glass and yellow concrete, the restoration of Lithuanian statehood was resoundingly proclaimed on March 11. The parliament is in well-nigh permanent session, in an atmosphere of continual crisis.

In the cobbled and pot-holed streets of the ancient city, rendered squalid by 50 years of Soviet domination, virtually nothing has changed. If people are worried about Soviet intervention, their fear is of an economic blockade, not military takeover.

The conflict has been going on in the most unlikely places: in the Institute of Marxism-Leninism, seized by Communist Party loyalists and a handful of Soviet paratroopers last week; and in the psychiatric hospital, where a group of Lithuanian army deserters was roughly recaptured in the early hours of yesterday morning.

When the Soviet army chose to send a great convoy of trucks, tanks and armoured cars through the city in a show of force, it did so delivered by an old lady with a horse and cart.

The move is all part of Mr Gorbachev's attempts at decentralisation, and answering the clamour for greater sovereignty.

In reality, the move has meant "absolutely nothing," according to Mr Vladas Tarleckas, an economics professor, and chairman of a working group under the Council of Ministers, drafting plans for a new currency and financial system. "If anything, there were negative changes," he says, "in the reaction on the part of Moscow to the developments here. They reinforced their control. A new system will only be introduced after negotiations with the centre."

Yet even then, he admits that Lithuania cannot hope to reduce its dependence on Moscow for a long time. "This proclamation of independence is only an expression of the people's will. Moscow knows that perfectly well. I don't understand why Moscow is so concerned."

Apart from almost total dependence on the rest of the Soviet Union for

An ill-matched bout of shadow boxing



of Moscow, regardless of its claims to independence. Along with a similar regime in neighbouring Latvia and Estonia, the move is all part of Mr Gorbachev's attempts at decentralisation, and answering the clamour for greater sovereignty.

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Tiptoeing through a minefield

THE PUBLIC face of President George Bush has been typically calm - almost detached - in response to the impasse in Lithuania. Behind the scenes, however, the President is using every ruse he knows to spell out to Moscow the cost of cracking down on the Baltic republic.

He has a huge stake in the way Mr Gorbachev handles the stand-off in Lithuania. One senior US official said: "The success of virtually everything we are pursuing is contingent on Gorbachev's success in managing this crisis and others coming up."

The present dilemma is how to mask this inter-dependence, how to persuade the Soviet leader that Moscow simply resisted the reality. The money is Moscow's, and the centre still dictates its allocation.

The military role in the takeover of Communist Party buildings, including the central committee building itself yesterday, may simply have been intended to underline the powerlessness of the new Lithuanian leadership. Mr Vytautas Landsbergis, the new president, believes. It certainly has no direct effect on government. But it may undermine what claims the new administration has to international recognition.

Since January 1, Lithuania has supposedly been economically auton-

government-ordered massacre of pro-democracy demonstrators in Tiananmen Square. Mr Bush is sensitive about public disapproval of his China policy - and has therefore ordered a more carefully calibrated rhetorical response to the Lithuanian crisis.

It is long-standing US policy not to recognise the Soviet annexation in 1940 under the Hitler-Stalin pact of the three Baltic states of Lithuania, Latvia and Estonia. Yet at the same time, for fear of provoking the Soviets, the US has avoided outright recognition of the independence movements and the new Lithuanian government.

On the key question of force, the US has tried to draw a distinction between "peaceful dissent" and "maintaining order in the face of inter-ethnic rivalries." This appeared to draw a distinction between the Baltic independence movements and the ethnic unrest in Armenia and Azerbaijan. The problem, as is becoming clear, is that this policy does not address grey areas such as the Red Army seeking to commandeer Lithuanian deserters.

So far, Congress has been restrained. While the Senate last week passed a resolution condemning the Soviets for intimidating

of the world's records are held by people from the Soviet Union. For example, the world's tallest man is the 2.4m former basketball player, Viktor Sizonenko. He also earned one of the world's smallest salaries: 65 roubles a month.

There will also be a world encyclopaedia of miracles, though not apparently economic. They will include a Soviet man who can speak 38 languages and a 10-year old boy who can distinguish the newspapers, *Trud* and *Izvestia*, by smell.

Still secret

The British Government's sensitivity to intelligence matters related to the Falklands War has in no way diminished with time. A television production team has been commissioned by Channel 4 to make a film to mark the 10th anniversary in 1992. The Foreign and Commonwealth Office has written to senior diplomats (mostly now retired) reminding them of their duties if approached for information.

The letter stresses that nothing should be said or revealed about Britain's involvement in the war which might be considered by the Government as detrimental to national security, past or present.

According to the FCO, what is said by any diplomat, serving or retired, should not go beyond what has already been published in House of Commons Select Committee Reports. That means we may have to wait until 2012 (under the 30 year rule) until much more comes out. The memoirs of Sir John Nott, who was Defence Secretary at the time, are locked in a bank until well after his death.

Transformed

Sign in the window of a New York beauty salon: "Meet! Please do not whistle when a gorgeous girl emerges - it may be your grandmother."

An Irish day of pride

■ Hollywood and the Oscars - Ireland could talk of little else yesterday. The reason was the success of *My Left Foot*, the Irish low budget film which took on the big boys and walked away from the Hollywood ceremonies with two Oscars.

My Left Foot is loosely based on the life of Christy Brown, a Dublin-born paralysed writer who, chronically disabled, learned to do all his work with his left foot.

As news of the Irish triumph came through, the Irish Independent, the country's best-selling daily newspaper, put out a special Christmas Eve edition. Charles Haughey, the Prime Minister, also currently starring as President of the European Council, was on the phone to Hollywood. "This reflects proudly on us all," said Haughey.

Daniel Day Lewis, half-Irish and son of the late British poet laureate, won best actor award for his portrayal of Christy. Brenda Fricker, who played Christy's mother, is the first Irish actress to win an Oscar.

The question now is where to put it. "I've no mountains. I'm going to have to buy a house," she said.

By the end of the day, however, a certain resentment was building up in Ireland at suggestions that *My Left Foot* was really a British venture. There was much criticism of the BBC for having reported it this way. In fact, the British only put up some of the money.

Cat trouble

■ Something is rotten in the state of Argentina. More precisely, something was rotten in a water tank of the Casa Rosada, the crumbling palace which houses President Carlos Menem's government.

The royal-blue uniformed Grenadiers who form the palace guard were beginning to

drop like flies, struck down with a mysterious stomach upset. The culprit, a drowned cat in advanced state of decomposition who lived on the left, was discovered this week.

Hundreds of cats live in the Casa Rosada, a labyrinth of decaying finery. Since the Buenos Aires municipal council has just announced an anti-rat year, they are unlikely to be readily evicted.

Poll surtax

■ Andrew Murrell, a computer student at Portsmouth Polytechnic who lives on the left, has just received a poll tax bill for \$2,864,061.55. When he telephoned to query it, he was told he could pay by instalments.

Exxon out

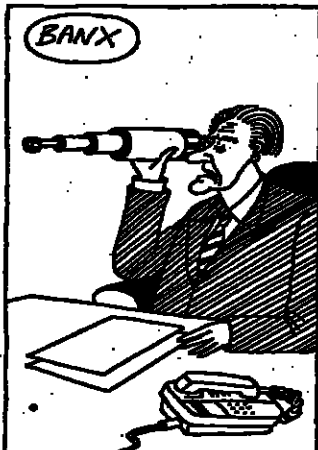
■ With untimely good timing the first European exhibition of the work of Raymond Loewy, the man who gave post-war capitalism its most distinctive symbols, is showing in West Berlin just as East Berlin is going capitalist.

Loewy, the French-born American who died in 1988 aged 93, is usually described as the "father of American industrial design". He is responsible for the shape of toothpaste tubes, cigarette packs and soup cans. He also created famous logos like those of Shell and Canada Dry, and even designed the original Greyhound Bus. When accused of lacking an aesthetic sense, Loewy would retort that there was nothing more beautiful than a rising sales curve.

The exhibition is sponsored by Daimler-Benz and Eddard Reuter, the Daimler chief executive, has written a glowing preface to the accompanying book.

But there is a strange omission. The wordmark and logo

OBSERVER



"I see no leadership challenge."

of the US's biggest oil corporation, Exxon, which Loewy is usually credited with inventing, scarcely feature in either the book or the exhibition. Possibly this is because Exxon has gone modest about publicity since the Alaska oil spill, though there remains some doubt about whether Loewy personally created them.

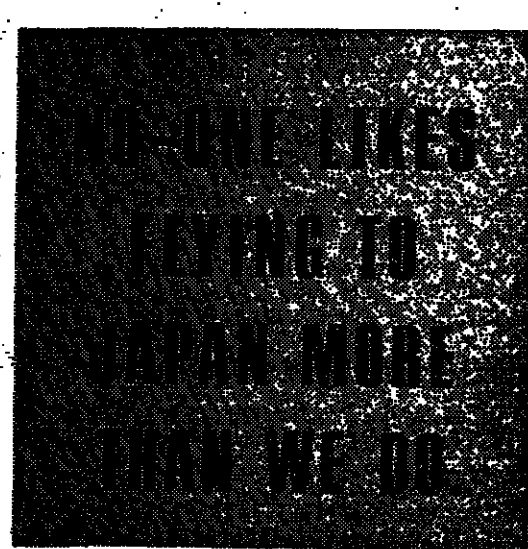
The exhibition is moving next to Paris, then Amsterdam and will make its last European stop in London's Design Museum. Perhaps Lawrence Rawl, the Exxon chairman, should clear up the mystery of the omission before the exhibition arrives in New York.

Soviet records

■ The Guinness Book of Records is about to be challenged by a Soviet news agency called Parli.

Parli is proposing to set up what it says is the world's first information service answering queries on the world's strangest, fastest, largest, first, and altogether most record-breaking phenomena. The agency claims that already 70 per cent

Lionel Barber



Only JAL have 33 flights a week from Europe to Japan.



The great and the good of the electricity industry in England and Wales will gather today in Clements House, a nondescript building opposite London's Guildhall, for an event which would be beyond the wit of most fiction writers to imagine.

They will be there to sign a mountain of contracts so large that it would have left Kafka weeping. National Grid Company, one of the companies invited to this lawyer's feast, has to put its mark on about 700 contracts. Three days have been set aside to ensure that the right signatures are on the right papers by Saturday - the "vesting day" for the new electricity companies heading for privatisation.

By the end of the day, the UK's highest industries will have an entirely new structure. Sixteen new electricity companies will have been created in England and Wales (a parallel process is under way in Scotland). The monopolistic Central Electricity Generating Board, which dominated the industry for decades, will be dissolved. In its place, a new semi-competitive, quasi-market will be set up.

Three new generators will be created: National Power and PowerGen, which will be privatised, and Nuclear Electric, which will remain in the public sector. A new entity, National Grid Company, will run the national grid. It will be owned jointly by the 12 area supply companies, which are for the first time facing competition from generating concerns to supply their larger industrial customers. The sale of the industry - with a likely total price tag of more than £10bn - will begin in the autumn.

There are few parallels anywhere in the world for an industrial reorganisation of this size. The break-up of American Telephone & Telegraph, one of the few comparable modern examples. But just as opinion in the US is fiercely divided on the merits of ending the old Bell system, so too the jury will remain out for some time on the wisdom of Britain's electricity reorganisation, the biggest and most complex privatisation attempted by the UK Government.

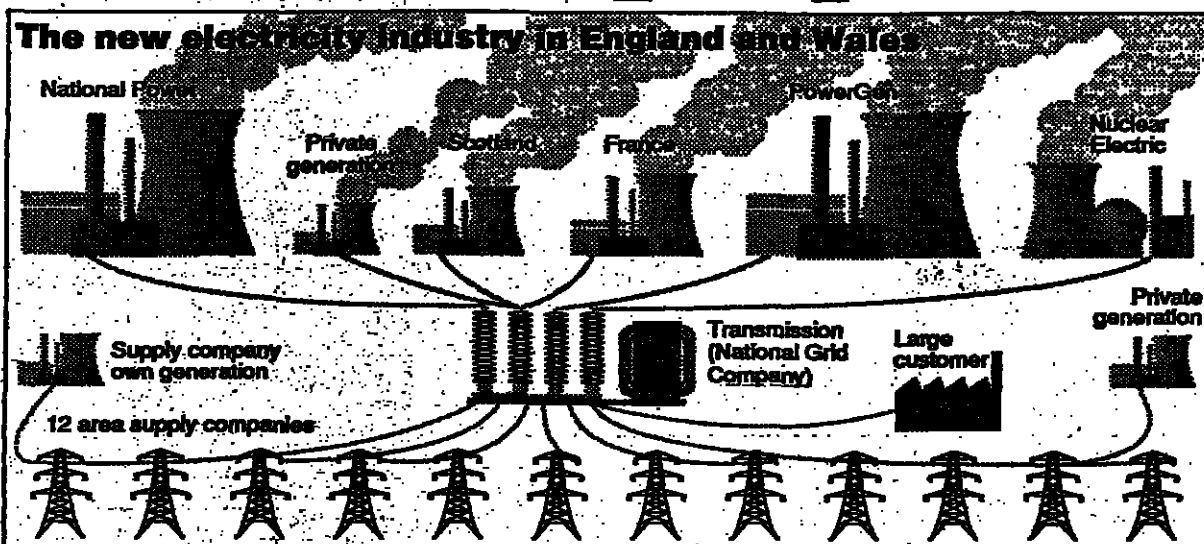
On one point, however, there is virtual unanimity. The appointment of Mr John Wakeham as Energy Secretary in the middle of last year rescued a policy which was heading for the rocks. Mr Wakeham pulled the rotten tooth gnawing away at the Government's privatisation plans when he abandoned the attempt to sell any of the nuclear power stations. Years of ineffectual monitoring by the Department of Energy had failed to reveal the true costs of nuclear power.

Yet a price has had to be paid for Mr Wakeham's business-like determination to drive through the privatisation programme. Strong limits to competition have been built into the new electricity structure in its early years in an attempt to protect the markets of the existing electricity companies and hence make them more saleable.

One example is the protection given to the 12 area electricity companies' supply monopolies. In the early years of privatisation, sites with a maximum demand of between 100kW and

David Thomas and Maurice Samuelson report on the reorganisation of Britain's electricity industry

Power to some of the people



1MW have no right to seek alternative suppliers - the main mechanism by which companies hope to secure cheaper electricity or better contract conditions. This provision, which is due to last until 1994, will exclude from the competitive supply market nearly all small and medium-sized businesses as well as the individual sites of many large groups.

One of the country's largest retail chains, for instance, expects that it has a combined demand of about 30MW, but that none of its 100-plus stores has demand of its own of more than 1MW. "When we first heard about the privatisation plans, we thought we would be able to buy electricity on the open market. We will, in fact, be no better off than in the past," it says.

Like other industrial and commercial customers unhappy about the new regime, this retail chain is not prepared to be quoted publicly. The Department of Energy has been assiduous in warning anyone connected with the privatisation process not to make negative comments to the press.

It has been less active in explaining to the outside world the Byzantine structure it has evolved for the new industry - until recently - in consulting industrial users on their views.

"They would say they've consulted us and we would say they've insulted us. We've been getting more information by reading the newspapers than from the Department of Energy," comments one very large industrial electricity consumer. One group of

large users says the department began to listen to it only after it had complained to Mr Wakeham that its views were taken more seriously by the European Commission than by his own department.

Mr Wakeham dismisses worries about restrictions on competition for larger industrial customers. "I can assure you that customers are already receiving the benefits of competition."

Private generators are almost certain to prefer to build smaller, more flexible plants with quicker payback periods

There are a lot of them who are telling me they have got prices for their electricity that they did not believe possible.

It is certainly true that audible signs of relief have been heard from many large users in recent months. Many had feared that they would face swinging price increases after privatisation. Defiant statements from Mr Wakeham have ensured that most consumers will notice little difference until after the next general election. Electricity consumers fall into three categories.

● Almost all households, small businesses and medium-sized commercial sites - that is, consumers with maximum demand of less than 1MW. They

face price rises averaging about 9 per cent from April 1, but prices for their electricity will not be allowed to increase by more than the rate of inflation for the two following years in 1990.

● Medium-sized industrial locations with maximum demand of more than 1MW. They are now allowed to shop around for electricity supplies and so far have emerged as the big winners from electricity privatisation. The area supply companies have been offering them price cuts, on occasion of more than 10 per cent, in a bid to keep their custom.

● The very largest industrial users - those with demand of more than about 100MW. They feared price increases in the 20-30 per cent bracket, because a number of schemes which favoured them under the old nationalised structure will be wound up on vesting day. However, Mr Wakeham has forced the electricity industry to offer an inflation cap to these large users for another year.

On the face of it, the competition for the business of users above 1MW demonstrates that there are ample competitive juices in the new structure. In theory, bids can be made to supply these users by any of the 12 area supply companies, National Power and PowerGen, the two generators heading for privatisation, independent electricity generators and the Scottish electricity companies.

In practice, competition for the custom of the above 1MW category seems to have assumed a rather limited pat-

tern. Few area supply companies have made serious attempts to win supply contracts for industrial customers outside their region. One large industrial company says that its many industrial sites have had only three serious bids: one from National Power, one from PowerGen and one from its existing area supply company. Mr Wakeham points to Seaboard's success in winning the contract to supply Heathrow airport from Southern Electric as evidence of the new spirit of competition. But Heathrow is the only known example of its kind.

Mr Wakeham was able to impose an inflation cap until 1993 on the prices of the bulk of electricity users - those with demand of less than 1MW - thanks to the three-year coal supply contract between British Coal and National Power and PowerGen. The two generators have agreed to take the vast majority of their fuel supplies from British Coal at above world market prices, already clear that privatisation will have a significant effect on new generating projects. The CEB's spread for large coal-fired and nuclear stations already looks like a relic of a bygone age. Private electricity generators are almost certain to prefer to build smaller, more flexible stations with quicker payback periods. Some of these may be new-style coal stations, but the relatively new combined cycle gas turbine generating technology is ideal to meet these needs. Add in the growing environmental worries about coal as a power generation fuel and the 1990s look certain to belong to gas.

Mr John Baker, National Power's chief executive, expects 80-90 per cent of all the new generating capacity to be built over the next decade to be gas-fired. National Power and PowerGen have announced a string of proposals for new gas-fired stations. Indeed, there are worries among some of the companies hoping to become independent generators under the new electricity structure that National Power and PowerGen will crowd out the market for new stations.

Whether or not the independents flourish under the new structure, it is clear that small power stations will be the name of the game in the next 10 years. Almost two decades after R.F. Schumacher, ex-economic adviser to the National Coal Board, coined the saying "small is beautiful," it might at last be becoming true in the electricity industry. Unfortunately for his former employers, gas will be the beneficiary.

LOMBARD

Timely warning for Greece

By Robert Mauthner

THE LETTER sent by Mr Jacques Delors, the President of the European Commission, to the Greek Government, warning that its international creditworthiness must be improved, is a timely warning of its future status in the Community would be endangered if it did not rapidly put its economy in order has drawn attention to the dire state in which Greece finds itself today. It is by no means the first warning of this kind that Greece has received this year. Both the Organisation of Economic Co-operation and Development and the International Monetary Fund have sent similar messages to Athens, albeit in the form of reports rather than letters.

The vehicle chosen by Mr Delors to impart his warning and the sharp terms he is reported to have employed are certainly unusual in relations between the Commission and member states. But it is justified by the fact that the Commission has had its fingers burnt before where Greece is concerned. In 1985, Greece received a \$1.7bn emergency loan from the EC, which has not yet been repaid. Moreover, the conditions on which it was granted - a substantial reduction of inflation and the reduction of the public sector borrowing requirement - were never fulfilled by the previous government. The loan was repaid by Mr Andreas Papandreu.

What Mr Delors is saying is that Greece cannot expect similar Community aid, which it will almost certainly require, if it does not take drastic measures to put its house in order. The warning was timely, as it came only a few weeks before Greece's third election within 10 months, due on April 8.

The solution, however, is not as simple as might appear. Greece has not had a viable government since June last year, when Mr Constantinos Mitsotakis's centre-right New Democracy Party, though emerging as the strongest single parliamentary group, failed to win an overall majority. The coalition governments which have ruled the country since then have been too heterogeneous to impose on the country the economic medicine prescribed for it by all the international organisations.

Even the respected and politically impartial caretaker Prime Minister, the 85-year-old Mr Xenophon Zolotas, a former Central Bank Governor, has failed to persuade Greeks to face economic reality.

It is not for lack of trying, it should be said. But when push comes to shove the members of what has flatteringly been described as an "ecumenical" government, grouping all three main political parties, have always decided to take more account of their potential electorate than the alarming economic statistics. Yet to any outside observer of the Greek scene, their failure to act decisively appears irresponsible and certainly contrary to Greece's national interests.

As a result, a new government will have little room for manoeuvre. Stringent austerity measures are the only answer to a rapidly deteriorating situation. After one of the worst economic performances in the OECD area over the past decade, the government will have to finance a public sector borrowing requirement of some 25 per cent of GDP, down an inflation rate which is expected to reach 17 per cent this year, and which is more than three times the OECD average, and finance a current external deficit of at least \$2bn, or 5 per cent of GDP.

Priority will therefore have to be given to cutting public spending by the sale of state-owned companies, the reduction or complete abolition of the wide range of state industrial investment subsidies and a complete overhaul of the social welfare system, particularly the over-generous public pension scheme. On the revenue side, the long-heralded reform to broaden the tax base and bring within the net the 40 per cent or so of the black economy, must at last be implemented.

For that to happen, however, a government able to take decisions must emerge from the elections, whereas the opinion polls forecast that they will result in another hung parliament. What Mr Delors is telling Greek voters and politicians is that they have no more time to play political games if they want to save their country from ruin.

LETTERS

Seeking protection from unauthorised intrusion

From Professor Basil Markesinis

Sir, Discussing the case of the actor, Gordon Kaye, who was unable to get from the courts a full protection against the publication of photographs and stories obtained by intruding and unauthorised reporter and photographer of the Sunday Sport, while he was recovering in hospital from brain surgery, Justinian seems to be resigned to the alleged impossibility of legislation for the protection of privacy. Instead, he argues for "letting the law grow out of a series of rulings in individual cases." ("Establishing the right to be left alone," March 26).

However, as Justinian points

out, the Appeal judges in this case felt unable to transcend the limits of case law and called for statutory provisions to protect the privacy of individuals.

The main argument against statutory protection is said to be the difficulty of defining and limiting privacy. But it has been done by statute of courts in Canada, France, Germany and the US.

Another argument seems to be that protection of privacy could restrict free speech and investigative journalism. But the Kaye case (and many others like it) are not concerned with the control of local or central government or any wrongdoing contrary to public inter-

est. In this case the defendants boasted that their interview was "a great old fashioned scoop."

Finally, the Press Council argued recently through its chairman that there is little need for a new remedy since, in essence, privacy overlaps with defamation. But not only is defamation narrower than privacy, it is concerned with true private facts, the revelation of which can be more harmful than lies with which defamation is concerned.

The promise of reform by means of Press Council guidelines is wearing thin, especially if the Press Council remains a watchdog without teeth and expects complain-

ants to promise not to use theirs (by waiving any patchy remedies they may have) before it even starts investigating their complaints. For some, such a set-up provides a permanent temptation to the sure knowledge that there will not be a day of reckoning! The Kaye case provides further evidence that our law is patchy, inadequate and insular. The Calcutt Committee, now pending, no doubt, finding touches to its long-awaited report on the law of privacy, ought to pause and take account of this case. Basil Markesinis, University of London, Queen Mary and Westfield College, Mile End Rd, Et

Talks could settle beneficial loans tax anomaly

From P.J. Rivett

Sir, While I have a little sympathy with Mr C.F. Pocock ("Anomalies in taxation of beneficial loans," March 23), I would have thought the matter capable of being settled by negotiation rather than hoping for a mention in the Finance Bill.

Insofar as the current penal mortgage rates are exceeded by an even more penal official rate of interest, there is, on the face of it, a problem. However, if one examines the wording of TA 1988 s160(1) it will be seen that loans to be brought into charge are those "of which the benefit is obtained by reason of his employment."

The purpose of this legislation was to tax the benefit of receiving an interest-free, low interest loan, as part of a remuneration package.

If I understand Mr Pocock, he receives no beneficial terms which could not be obtained by any other person. While I find this odd, if this is indeed the case, surely the argument to be advanced is that the "benefit" cannot arise from his employment.

He might argue that he is receiving his present loan by virtue of him being a shareholder of the building society (as indeed all other borrowers are) and that the fact that he works for the society is irrelevant.

Taking the matter further, if he is really borrowing on the same terms as Mr Public, then perhaps he should consider disclaiming this alleged benefit. I have been dealing with the Inland Revenue for more than 20 years and while I have encountered the occasional

"navvied," I am certain that the Revenue, generally, would after making a few inquiries, concede that there really is no benefit here. Ask the district inspector to talk to his head office.

The true test must be, could the loan have been obtained in the precise terms, without the need for Mr Pocock becoming an employee? If the answer is truly "yes," then I feel that the Revenue will not pursue the matter. On the other hand, I am surprised that a building society would offer as an inducement, the ability to borrow at exactly the same rate offered to the public. Some things benefit!

P.J. Rivett, Warwick Close, Abingdon on Thames, Oxon.

East Germany could follow NFC route

From M.F.S. Low

Sir, Regarding Messrs Kotz's and Wurmuth's letter (a supply-side answer to East German problems," Letters, March 19), I wonder whether they and the new East German government could not combine what is being suggested with an additional scheme based broadly on the employee buy-out success of the National Freight Corporation in the UK?

There are, I am informed, considerable savings deposits in the equivalent of savings bank. Would it not be feasible to propose to the employees and management of the "Volkseigene Betriebe" (comparable with British public sector companies) that they use these savings to acquire the companies in which they work?

The example of the NFC has shown that the "ownership feeling" has an enormous impact on the employees in improving efficiency and productivity, leading simultaneously to an increase in profits, resulting in a share price improvement and dividend payments, certainly in excess of what "Sparkassen" investments would yield.

Having been involved in the NFC, from its beginning as a public company, via the buy-out to flotation, I can recommend heartily this method of employee involvement. F.S. Low, Lennox Gardens, London, SW1

Premature conversion of Hanson's stock

From Mr Stephen Hugh-Jones

Sir, As a shareholder in Hanson, may I update the sorry tale of the compulsory, premature conversion of its 10 per cent stock?

Hanson has now formally informed me that (a) it will indeed force unwilling stockholders to convert; (b) on April 30, over seven months since the last interest payment; (c) it will not pay interest for those months; yet (d) the taxman will still demand that we pay him.

The joint result is that: 1. Issued in May 1988, this

supposedly 2007/12 stock will have existed for only 47% months.

2. But it will have paid interest for only 40% of those months, thus reducing an advertised gross yield of 10 per cent to a real-world one of 8% per cent.

3. Since it will incur tax for the full 47% months, the net yield will be cut even harder; for a 40 per cent taxpayer, to only three quarters of what, supposedly, it was going to be. Indeed, the one interest payment of its last 18 months of life he will be taxed at

almost 88 per cent. I will not call this a fraud on the investing public: no doubt it is allowed for in the fine print.

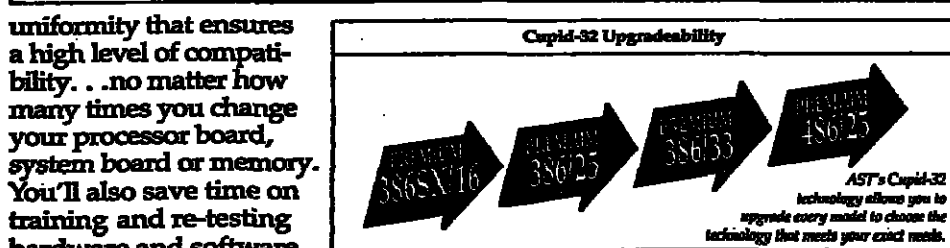
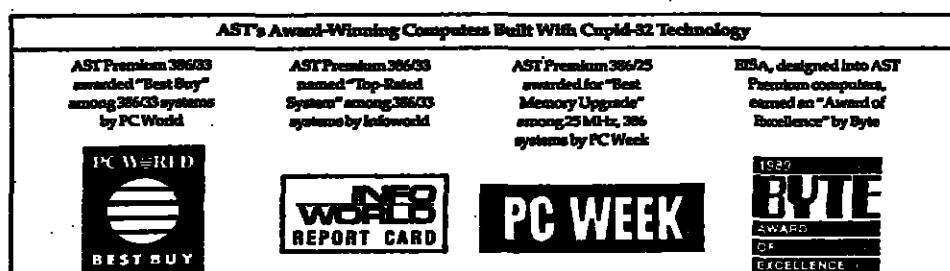
But I doubt that it is quite what Aunt Agatha expected - and was reasonably entitled to expect, given no indication whatever in 1986 that Hanson would put the fine print into effect. And it is certainly one hell of a way to win her trust in the City, isn't it? Stephen Hugh-Jones, Abbey House, Garden Road, London, NW8

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Mexico and US to forge closer trade links

By Robert Graham and Peter Montagnon in London

MEXICO and the US are to forge closer trade links with a view to an eventual agreement creating a fully fledged North American free trade area.

Mexico is the US's fourth biggest trading partner after Japan, Canada and the EC. Two-way trade last year totalled \$32bn.

The move will provoke renewed fears that world trade flows could be hampered by the creation of regional trading blocs, undermining the authority of the General Agreement on Tariffs and Trade.

Mexican officials recognise that the logic of closer trade ties would lead, eventually, to

co-ordination of monetary and fiscal policy. The issue is expected to be raised at a formal meeting between President Carlos Salinas de Gortari and President George Bush in June.

In January last year a comprehensive agreement between Canada and the US took effect, creating a free trade zone in goods and services and establishing a special mechanism for settling trade disputes.

Until recently Mexico had concentrated on negotiating trade deals in specific sectors such as textiles. This was because of extreme political sensitivity in Mexico to any

comprehensive arrangement that implied loss of sovereignty and because of fears that its underdeveloped economy would be overwhelmed by US competition.

However, Mexican officials say that President Salinas has swung round to favouring early negotiations on a common market for three reasons:

● The fast evolving situation in eastern Europe risks diverting investor attention and trading partners as well creating additional competition for trade with west European markets.

● Mexico, in the process of restructuring and liberalising

its economy and on the edge of economic recovery, is well placed to negotiate while it is still not a threat either to US or Canadian industry.

● Despite political sensitivities, the Mexican authorities believe a psychological barrier has been broken in attitudes towards the US. Close ties with the US economy are seen as the best anchor for price stability and growth.

Both sides recognise that the integration process will be lengthy. Sensitive problems will have to be overcome about immigration and such specific areas as trade in vehicles. The latter proved one of the

most thorny areas of the US-Canada agreement. The Canadians are already showing signs of concern about Mexican competition in the automotive industry. Mr Brian Mulroney, the Canadian Prime Minister, visited Mexico 10 days ago and was cautious about moving too fast on a free trade area.

The US accounts for 68 per cent of Mexico's total trade and Mexico plays a key strategic role as a stable long-term supplier of oil.

The first framework agreement for liberalising trade was signed by Mexico and the US in 1987.

Ford chief to replace Egan as Jaguar head

By Kevin Done, Motor Industry Correspondent, in London

SIR JOHN EGAN, chairman of Jaguar, the UK luxury car maker taken over by Ford of the US for \$1.6bn (\$2.6bn) last November, is to leave the company at the end of June.

He will be replaced as chairman and chief executive by Mr Bill Hayden, vice president of Ford of Europe's manufacturing group, who has led Ford's transition team at Jaguar.

Sir John, who joined Jaguar in 1980 and led its privatisation from the state-owned British Leyland group in 1984, has been one of the main standard-bearers of the Thatcher Government's privatisation programme.

His name has been linked with several high profile industry jobs and most recently with the chairmanship of National Power, the largest generating company in the £15bn privatisation of the electricity industry. He refused yesterday to comment on his future plans.

"I did not want to run a subsidiary of a large company," he said, "that would have been a problem for me. I want the independence of action I have grown used to."

In the 10 years under Sir John Egan, Jaguar was saved from the threat of imminent closure. Production and sales volumes have been more than tripled, it has substantially modernised its engineering and parts of its manufacturing facilities, and has set up a worldwide sales network and re-established its credibility as a luxury car maker.

Its profitability has been battered by the weakness of the US dollar and falling sales in the US, however, and Sir John disclosed yesterday that the company had only been trading at a break-even level for the whole of 1989.

The transition team at Jaguar had already established that savings of "well in excess of £100m" could be achieved. Mr Hayden, 61, will take over as chief executive of Jaguar with immediate effect. Sir John will retain the role of non-executive chairman for the next three months.

He said Jaguar was planning a future four model line-up, adding a smaller "sporty saloon" and a sports car to the existing XJ6 luxury saloon and XJS grand tourer ranges. It was planned to raise output to close to 200,000 cars a year in the next 10-15 years, with output last year of 48,138 and 51,929 in 1988.



Part of a crowd of 60,000 who marched to protest against high rents in the black township of Kwa-Thema, east of Johannesburg, yesterday

Threat of violence lingers on in township where marchers died

By Paul Waldmeir in Sebokeng

YOUNG black police constables kept their shotguns trained nervously on the crowd which gathered yesterday in Sebokeng, the black township outside Johannesburg, to watch the mopping-up after the previous day's violence.

At least nine people died and 450 were injured on Monday when police opened fire on anti-apartheid demonstrators.

The so-called "kitskonstabels" - young black policemen with minimal training and little education - were removing barricades of boulders and burning debris from the streets under the scrutiny of residents and workers who had stayed home for the day.

While the explosive unrest of the previous day had subsided, the threat of violence remained in the air. And the police appeared to be aware that, in the eyes of Sebokeng's residents, they alone were responsible for Monday's carnage.

Not surprisingly, accounts of the violence by police and community leaders do not tally. Community leaders said they staged a peaceful march to deliver a protest petition at the local police station. When they

began to retreat after delivering the petition, police opened fire without warning and many marchers were shot in the back as they withdrew.

The police said they acted in self-defence, using teargas and shotguns to break up a march of 50,000 people, after the marchers "began singing and shouting and threatened to attack." Two policemen were injured.

Whichever version is true, something went badly wrong in Sebokeng on Monday, and although Mr Walter Sisulu, a senior official of the African National Congress (ANC), said yesterday the violence would not threaten negotiations between the ANC and Pretoria, both sides must be anxious to avoid a repetition.

Mr Bayamile Vilakazi, a local official of the anti-apartheid United Democratic Front (UDF), and the man who headed Monday's march, said: "We were trying to reach out to Mr de Klerk. The aim had been to present the petition - detailing grievances over high rents, poor education and health facilities, and other local and national issues - to

the ruling National Party headquarters in the nearby white town of Vereeniging.

Permission to stage that march was denied, however.

Mr Vilakazi repeatedly emphasised that community groups which organised the march - the local civic association, the UDF and the unions - were committed to keeping protests peaceful. He denied police reports that marchers were armed with stones, sticks, knobkerries and bottles - although another UDF official appeared to contradict this, saying that carrying sticks was a "cultural expression" which did not denote violent intent.

Until Monday, police had shown restraint (by historical standards) in dealing with unrest. But the violence in Sebokeng highlighted an increase in unrest since the release of Mr Nelson Mandela, deputy president of the ANC, on February 11.

Since then, nearly 250 people have died, the vast majority in faction fighting between rival groups in Natal province. Many have also died in several of the country's 10 black homelands.

Japanese companies find room to lure staff

By Robert Thomson in Tokyo

THE company dormitory, five to a room, wall-to-wall corporate loyalty and a midnight curfew, is under renovation in staff-starved Japan, where workers now have a choice of companies they can join.

Mitsubishi Heavy Industries yesterday announced a ¥550m (\$352m) plan to remodel the company dormitories and build more houses for married middle-managers in the interests of "better quality living."

The new, one-person rooms will come with air-conditioning, telephone and provision for satellite television.

The Matsushita electronics group is planning to spend even more - ¥700m - on accommodation over the next five years, and will replace four-person dormitories with single rooms in 10-storey buildings. Soon, it will lift the midnight curfew.

Toyota and Honda, the car makers; Sanjyo, the brewer; Nippon Seiko, the ball bearing maker; and others are upgrading company housing. Wealthy companies are offering saunas and bowling alleys to lure workers, and others are signing up employees by promising them a family home.

Some companies have traditionally kept dormitory facilities to a minimum, believing that a spartan lifestyle helped cultivate a spirit of self-sacrifice. Workers at an energy firm explained that, until the labour shortage, his company would routinely limit power to its workers' housing complex to cut costs.

But the labour shortage - university graduates had an average of 5.1 companies to choose from last year - and the high and rising price of land in Japan have combined to make housing an important selling point. The property push has disadvantaged smaller companies, which are less able to provide rooms for individuals.

In Tokyo, the land price surge has slowed, but property prices around the country rose 17 per cent last year, with Osaka, the second largest city, recording a 48.3 per cent increase. Nishikawa, the employers' federation, said yesterday that the labour shortage and land prices were both "serious problems."

Mr Minoru Tanaka, a general manager at Nishikawa, which was supermarket and department store chains, said the company was "renovating old buildings and constructing new buildings" to ensure that workers will no longer be forced to share rooms.

"Young people don't want to share rooms any longer. They want to have their own space and freedom. Some young people work for a while, and then want to leave, so we have to do our best to keep them," Mr Tanaka said.

"Many single women live with their parents, but we have buildings for those who don't. We have a re-employment system for women who have a baby and want to return a few years later," he said.

THE LEX COLUMN

The case for a more prudent Pru

Prudential has come a long way towards rejuvenating itself. But the minutes of yesterday's results suggest that there is still a great deal for Mr Mick Newmarch, the new chief executive, to do. On the one hand, the backbone of the business, UK life assurance, is still firmly profitable, an impression reinforced by the group's 15 per cent dividend increase. Even after stripping away special items such as a less gloomy view of AIDS and the initial impact of an increase in the shareholders' portion of life profits, the increase is an underlying 40 per cent. The real difficulty lies in the signs that the quality of Prudential's earnings has deteriorated, at a time when the group is still not reaping the full benefits of extra sales flowing through from its five-year old diversification strategy.

The most obvious party to blame for the reduction in quality is the 750-unit UK estate agency chain. It delivered £69m of pre-tax losses in 1989, and the City thinks it could dump another £30m on the Pru's plate this year. The Pru itself is openly sceptical that it will ever see a proper return on its £250m investment. Perhaps equally disturbing is the fact that even after taking in some capital appreciation on its investment portfolio, the Pru is the only major quoted British insurer so far to make a pre-tax loss on its non-life insurance book in 1989.

The prime culprit there was the sudden £45m upward jerk in losses from Piper Alpha at the Pru's reinsurer subsidiary, Mercantile & General, a surprise on a scale which should have been avoidable. That, however, may point the moral of the whole story. Paradoxically enough, aside from Prudential Portfolio Managers, which has financial risk management down to a fine art, perhaps Pru's strongest point is not running volatile, cyclical businesses like M&G. It is probably stuck with estate agency now, but its real forte lies in managing long-term savings. This, fortunately, is where Mr Newmarch comes from too, and where perhaps his efforts should be concentrated.

anyway. BA has already rejected the idea of horse-trading; it also claims - probably rightly - that under the new system of merger regulation starting on September 21, the deal would fall to Brussels. This opens the intriguing possibility that even if the deal were blocked when the MMC comes to report in June, BA could re-submit it to Brussels in September. As we enter the no-man's land between the end of the old regime and the start of the new, there is a real risk of a power vacuum in competition policy.

The importance of the deal to BA remains hard to assess. The initial investment of £34m is scarcely material what matters is what would be spent in the mid-1990s. Add in the vexed question of what a deregulated European industry will look like, and it is perhaps unsurprising that the stock market's reaction to the news yesterday was masterly inactivity.

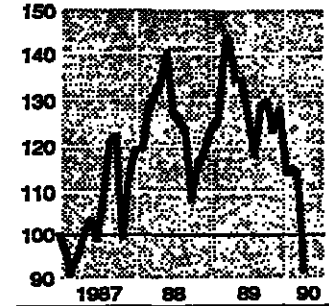
Carlton/Vickers

There was an odd disparity in the market's treatment of the two parties to the Cosworth deal yesterday. Vickers' shares were almost unchanged; those of Carlton Communications fell 12 per cent. But Carlton's real problem lies elsewhere. Profits so far this year, the chairman said yesterday, show a "respectable" increase. The market takes this to mean full year earnings growth in single figures, perhaps as low as 4 per cent. For the sceptics, this means the last great go-go stock of the Thatcher era is going the way of its fellows.

It would not do to exaggerate this. Carlton has net cash in the bank, good products and strong positions in growing markets - even if those markets now seem less proof against the consumer down-

Carlton Communications

Share price relative to the FT-A All-Share Index



turn than was once expected. At around 10 1/2 times this year's expected earnings, it is rated in line with the market. Next year, its supporters say, its growth trend of 15 per cent will be resumed. But that involves, yet again, taking Mr Michael Green on trust; and as the violent seesaws in Carlton's price suggest, there have been two schools of thought on that for several years now.

For Vickers, the attractions of the Cosworth deal go beyond the purely defensive. Though there is no immediate connection between Cosworth and Rolls-Royce Motors, Vickers has a good record as a sympathetic owner of up-market assets. It also has in Mr Michael Dunn, Rolls-Royce's engineering director, an executive who grew up with Ford, which takes 70 per cent of Cosworth's sales.

The real price of £153m (after discounting the deferred payments) represents a multiple of 17 for a business whose profits have gone from £4.5m in 1987 to £14.5m last year. There will be a good deal of goodwill of £130m, but Vickers will still have net cash on the balance sheet. With 40 per cent of sales in the car industry, Vickers is still not the most logical company in the world; but it may be getting there.

P&O

Looking at the 25p drop in P&O's shares to 69p yesterday, one might imagine that a spanking-new cruise liner had run aground shortly after losing Sir Jeffrey Sterling overboard. The more prosaic explanation for the nervousness which pushed the current gross yield on the shares up to 6.8 per cent is that Sir Jeffrey's results statement was cautious, and that the market promptly over-reacted.

Caution from Sir Jeffrey should actually have come as no great surprise, in view of P&O's exposure to high UK interest rates. After taking out the exceptional profit on the sale of its Taylor Woodrow stake, P&O saw its profits from housebuilding and construction, for instance, dip 14 per cent. It is hard to see much recovery there this year, if any. But the corollary of all this is that P&O's shares are going to have a sharp run when interest rates do eventually come down; and in the meantime cruise liners, plus the old cash flow standby of UK services, are covering the dividend nicely anyway.

EC may delay British power privatisation

By Lucy Kellaway in Brussels and David Thomas and Maurice Samuelson in London

LAST-MINUTE attempts will be made in Brussels today to derail the UK Government's electricity privatisation plans when the European Commission considers subsidies to the nuclear power industry.

Objections are also likely to be lodged with Brussels this week by Britain's small private coal industry about the bulk coal contracts for power stations which underpin the privatisation plans.

At today's meeting, some commissioners are likely to try to delay the introduction of the electricity market, which is scheduled for Saturday, the industry's "vesting day." Their main concern is the subsidies to the nuclear industry built into the new market.

Some commissioners are particularly concerned about the £3.5bn potentially available under the 1989 Electricity Act for the liabilities of the nuclear

industry and the nuclear levy. They are expected to argue that these subsidies contravene EC rules on state aid to the nuclear industry. Doubt is likely to be expressed about whether the Community should be subsidising its nuclear industry at all.

The National Association of Licensed Opencast Operators and the Federation of Small Mines of Great Britain, representing the private UK coal

industry, are planning to lodge a formal complaint with the Commission this week about the contracts between British Coal and National Power and PowerGen, the two new generators in England and Wales.

They will allege that the contracts break EC competition rules because they offer British Coal a higher price than that paid to private coal operators. Power to some of the people, Page 16

US-German aero-engine co-operation

Continued from Page 1

company's intentions to reduce its relative dependence on ties with French aerospace companies, with which West Germany has co-operated for 80 years.

MTU, with turnover of more than DM3bn, manufactures engines for both civilian and military aircraft as well as large diesel motors for ships, locomotives and tanks. MTU's aircraft engine business turns over around DM1.6m (\$900m) a year. Pratt reported last year operating profits of \$945.5m on revenues of \$7bn, out of United

Technologies' group total of \$1.26bn on revenues of \$19.76bn.

Industry analysts consider that the groups might benefit from links between their Sikorsky and MBB helicopter divisions and in other aerospace activities.

Some US analysts thought the aero-engines divisions would benefit from the pooling. Others thought it merely a formalisation of existing links.

The link-up could have implications for Rolls-Royce, which cooperates with MTU in

military engines for the European Fighter Aircraft, Tornado and the Franco-German Tiger combat support and anti tank helicopter programme. Rolls-Royce is also a partner with Pratt and MTU in International Aero Engines, a consortium which makes the V2500 commercial jet engine.

United Technologies said MTU would become its "principal partner for Europe and the preferred partner worldwide." This would not diminish, however, Pratt's commitment to International Aero Engines.

WORLD WEATHER

Location	Temp	Wind	Cloud	Temp	Wind	Cloud	Temp	Wind	Cloud		
Algeria	12	10	10	London	12	10	10	London	12	10	10
Amman	18	10	10	Madrid	18	10	10	Madrid	18	10	10
Amman	18	10	10	Paris	18	10	10	Paris	18	10	10
Amman	18	10	10	Rome	18	10	10	Rome	18	10	10
Amman	18	10	10	Stockholm	18	10	10	Stockholm	18	10	10
Amman	18	10	10	Toronto	18	10	10	Toronto	18	10	10
Amman	18	10	10	Washington	18	10	10	Washington	18	10	10
Amman	18	10	10	Yokohama	18	10	10	Yokohama	18	10	10
Amman	18	10	10	Zurich	18	10	10	Zurich	18	10	10

Remains of mid-day yesterday
Climax: 18-20°C, Min: 10-12°C, Wind: 10-15 km/h, Rain: 10-15 mm

Forecast: 18-20°C, Min: 10-12°C, Wind: 10-15 km/h, Rain: 10-15 mm

Kleinwort Benson

NSK
NIPPON SEIKO

Nippon Seiko KK

Japan's largest bearings manufacturer, has acquired

United Precision Industries Limited

for £145 million

We acted as financial adviser to Nippon Seiko KK

The Kleinwort Benson Group

Issued by Kleinwort Benson Limited, a member of TSA and of the AIBD.

Emerson Electric Co.

has acquired

Leroy-Somer S.A.

We acted as financial advisor to Emerson Electric Co.

Goldman Sachs International

Goldman
Sachs

March 1990

Kvaerner a.s

(Incorporated with limited liability in the Kingdom of Norway)

International offering of 3,500,000 B shares
at NOK 285.68 per share
Raising approximately NOK 1 billion (US\$155 million)

Enskilda Securities
Skandinaviska Enskilda Limited

DnC Fonds a.s

UBS Phillips & Drew Securities Limited

Banque Indosuez

Dresdner Bank
Aktiengesellschaft

Nomura International

February 1990

NOTICE TO THE HOLDERS OF

YAMANOUCHI PHARMACEUTICAL CO., LTD.

U.S.\$100,000,000 1% per cent.
Notes due 1992 with Warrants
and
U.S.\$300,000,000 3% per cent.
Notes due 1993 with Warrants

Pursuant to the respective Fiscal and Warrant Agency
Agreements dated 20th July, 1987 and dated 2nd June, 1988
for the Captioned Warrants, Notice is hereby given as follows:

1. Pursuant to a resolution passed at a meeting of the Board
of Directors of the Company held on 23rd February and
1st March, 1990, the Company authorized the issue of
U.S.\$300,000,000 Notes due 1994 with Warrants by public
offering, with the Subscription Price of Yen 3,147 per share of
Common Stock, which is less than the current market price per
share of common stock as set forth in the respective Fiscal and
Warrant Agency Agreements, and the payment date being
15th March, 1990.

2. Accordingly, the respective subscription prices per share at
which shares of common stock of the Company may be
subscribed for by way of exercise of the Captioned Warrants is
adjusted with effect from 15th March, 1990, Japan time. The
Subscription Price in effect prior to such adjustment of the
Warrants issued in conjunction with U.S.\$100,000,000 1% per
cent. Notes due 1992 was Yen 3,848.40 per share of common
stock and the adjusted Subscription Price is Yen 3,830.50
per share of common stock. The Subscription Price in effect prior
to such adjustment of the Warrants issued in conjunction with
U.S.\$300,000,000 3% per cent. Notes due 1993 was Yen
4,004.70 per share of common stock, and the adjusted
subscription price is Yen 3,986.80 per share of common stock.

YAMANOUCHI
PHARMACEUTICAL CO., LTD.
By: The Sumitomo Bank, Limited
as Fiscal, Paying and Warrant
Agent

28th March, 1990

NOTICE TO THE HOLDERS OF

YAMANOUCHI PHARMACEUTICAL CO., LTD.

U.S.\$50,000,000 4 per cent. Convertible Bonds
due 1990
and
U.S.\$50,000,000 2% per cent. Convertible Bonds
due 2000

Pursuant to the respective Trust Deeds dated 8th October,
1989 and dated 13th November, 1989 for the Captioned Bonds,
Notice is hereby given as follows:

1. Pursuant to a resolution passed at a meeting of the Board
of Directors of the Company held on 23rd February and
1st March, 1990, the Company authorized the issue of
U.S.\$50,000,000 Notes due 1994 with Warrants by public
offering, with the Subscription Price of Yen 3,147 per share of
Common Stock which is less than the current market price per
share of common stock as set forth in the respective Trust
Deeds, and the payment date being 15th March, 1990.

2. Accordingly, the respective Conversion Prices at which the
above-mentioned Bonds may be converted into shares of
common stock of the Company is adjusted with effect from
15th March, 1990, Japan time. The Conversion Price in effect
prior to such adjustment of the Bonds issued in conjunction
with U.S.\$50,000,000 4 per cent. Convertible Bonds due 1990
was Yen 1,248.50 per share of common stock and the adjusted
Conversion Price is Yen 1,242.00 per share of common stock.
The Conversion Price in effect prior to such adjustment of the
Bonds issued in conjunction with U.S.\$50,000,000 2% per
cent. Convertible Bonds due 2000 was Yen 2,918.80 per share
of common stock, and the adjusted Conversion Price is Yen
2,906.80 per share of common stock.

YAMANOUCHI
PHARMACEUTICAL CO., LTD.
By: The Sumitomo Bank, Limited
as Principal Paying Agent

28th March, 1990

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Banco Internacional S.N.C.

Floating Rate Notes Due 1991

In accordance with the provisions of the Fiscal Agency
Agreement between Banco Internacional S.N.C. and First
Interstate Capital Markets Limited, dated as of 15th
September, 1989, notice is hereby given that the Rate of
Interest for the next six month Interest Period has been fixed
at 9.4375% p.a. and that the interest payable on relative
Interest Payment Date, 28th September, 1990 in respect
of U.S.\$100,000,000 nominal amount of the Notes will be
U.S.\$4,823.61.

Reference Agent

First Interstate Capital Markets Limited
28th March, 1990

INTERNATIONAL COMPANIES AND FINANCE

Europeans watch software drama

Alan Cane considers the likely impact of a legal wrangle in the US

A judge in Cambridge, Massachusetts, will this Friday take the first steps in a ruling which is being watched keenly by several computer software companies in Europe as well as the US.

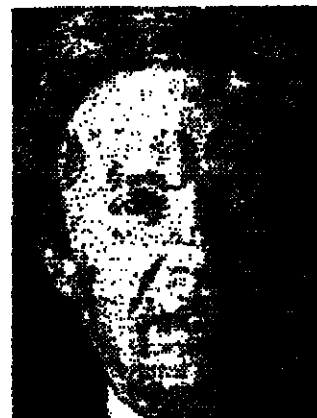
The judge will be deciding whether Mr Frank Dodge, founder and president of McCormack & Dodge (M&D), a leading US computer software house, resigned or was fired from Dun & Bradstreet (D&B), the business information group which has owned M&D since 1983.

The decision, which may prove to be only the first step in a protracted legal battle, will have important consequences for European software houses and for the US software and services industry.

The decision will determine whether Mr Dodge is bound by a "non-compete" clause in the contract he signed with his former employer which would force him to wait 12 months before setting up a new company to trade in business software.

A number of companies in the European computer software business have an active interest in the outcome.

If the ruling is that he resigned, Mr Dodge, one of the best-known figures in the US business software sector, will have to kick his heels for a year. If he is adjudged to have



Frank Dodge did he resign or was he fired?

been sacked he can put into action immediately plans to sell European business software in the US.

Mr Dodge believes that in certain kinds of advanced computer software European companies are as much as four years ahead of their competitors in the US, and he is anxious to take advantage of the situation. If he has to wait a year, as the non-compete clause in his contract stipulates, much of the initiative could be lost.

Mr Dodge left M&D on February 16 this year just three months after D&B announced it was acquiring Management Science America (MSA), another leading US computing

services company and M&D's leading competitor in the market for business software running on large mainframe computers.

D&B said it intended to merge the two companies into a single unit, Dun & Bradstreet Software (DBS), appointing Mr John Imlay, the former head of MSA and another top US computer industry personality, as chairman and chief executive officer. Mr Dodge would be his deputy.

Mr Dodge's \$1m suit against his former employer accuses D&B of breaching his employment contract, forcing him out of DBS through methods amounting to constructive dismissal and hindering his efforts to reestablish himself in the software business.

D&B's counter to Mr Dodge's suit, contained in a 105-page document submitted to the court earlier this month, claims that Mr Dodge refused a series of high level positions with the company with a salary of \$300,000 a year and that his law suit is filed with "serious misrepresentations and omissions".

The case is generating further unwelcome publicity for D&B at a time when it is attempting to recover from difficulties in its flagship US credit data services business, where it has already agreed to settle lawsuits totalling some \$18m, and faces more. Custom-

ers alleged deceptive sales methods and inaccurate information.

It also underlines the difficulties faced by companies trying to establish themselves in the notoriously volatile computing services business.

D&B was noted for its "hands-off" style of management during the seven years of its ownership of M&D, during which time the company remained consistently profitable and the value of its investment rose from \$65m to \$365m.

Mr Imlay, whose own company has had a patchy commercial record over the past three years, said he believed Mr Dodge could not come to terms with being asked to play second fiddle; there was no personal animosity between them.

A D&B spokesman said that under the terms of the last job offer made to Mr Dodge he would have had charge of areas of DBS with revenues of about \$100m, while Mr Imlay would have had charge of the company's principal activities in software for IBM computers with sales in excess of \$300m a year.

Mr Dodge said this week that while he was upset over the way he had been treated, his only interest in suing D&B was to regain his freedom to operate in the software business.

Boston group bids \$46m for Phoenix

By Louise Kahoe in San Francisco

NORWOOD Partners, a Boston investment group, has launched a \$46m unsolicited takeover bid for outstanding shares of Phoenix Technologies, a computer software company that provides key systems software to the personal computer industry.

Norwood already holds an 8.3 per cent stake in the company. Norwood, controlled by Daniel Barnett and Paul Reese, both officers of Boston-based Oasis Capital Management, a small Boston money management firm, intends to offer Phoenix shareholders the option of accepting \$5 per share or to exchange their stock for non-voting shares in a newly formed corporation to be merged with Phoenix Technologies as a privately held company.

A one-time high flier in the personal computer software business, where it is the primary supplier of the basic input/output system (BIOS) program for IBM-compatible personal computers, Phoenix has into problems last year when it began to diversify by developing a similar program designed to run on workstations compatible with those manufactured by Sun Microsystems.

Phoenix reported losses of \$7.8m on sales of \$34.8m for the year ended September, and first-quarter losses of \$4.9m. The company said recently that it expected a similar loss in the current quarter.

Mr Barnett said: "We chose to move at this time because we are convinced that the long-term value of Phoenix can only be realised by taking the company private now rather than waiting any longer."

Phoenix Technologies said it was considering the Norwood proposal. The directors added, however, that the offer was subject to financing being obtained and the satisfactory completion by Norwood of a due diligence review.

Calling the Norwood proposal "an illusory offer," the Phoenix board said it believed any discussions with Norwood would not be in the best interests of the company or its stockholders.

Hongkong and Shanghai picks deputy chief

By John Elliott in Hong Kong

HONGKONG and Shanghai Banking Corporation announced yesterday that Mr John Gray, executive director in charge of finance, is being appointed deputy chairman from May 8 in succession to Mr Frank Frame, who is retiring from the post.

Mr Gray, aged 55 and the third generation of his family to work for the bank, will continue to carry out the finance director's functions, which he has handled since December 1988.

Mr Frame, 60, is to remain a director and is to work full time on long-term strategy at a time when the bank is preparing to develop its relationship with Midland Bank of the UK.

Six months ago Mr Frame gave up his duties as the bank's legal adviser, which was his first position when he joined the bank in 1977.

Circle K slips under debt burden

By Karen Zagor in New York

CIRCLE K, the second biggest US convenience store chain, yesterday reported a net loss for the third quarter on falling sales as the company continues to suffer from the dual burdens of stiff competition in its main markets and high debt.

The Phoenix, Arizona-based company has been struggling under more than \$1.1bn of debt it incurred during a six-year expansion programme when Circle K quadrupled its store base to more than 4,800.

Circle K attributed its latest losses to high interest and depreciation costs. The company's programme to increase revenues by raising prices has also backfired, and this contributed to the decline in sales.

Revenues advanced 10.5 per cent to \$2.83bn from \$2.56bn.

The company said it would reduce prices in an effort to recapture lost sales, after reviewing its marketing and merchandising policies.

Circle K's net loss for the three months ended January 31 was \$28.1m or 59 cents a share, against net income of \$12.8m or 22 cents a share on a fully diluted basis in 1989. Revenues in the latest quarter slipped 2.5 per cent to \$872.5m from \$895.2m.

For the first nine months, the company reported a net loss of \$26.5m or 72 cents a share compared with net profits of \$38.5m or 88 cents a fully-diluted share a year earlier.

Revenues advanced 10.5 per cent to \$2.83bn from \$2.56bn.

Shares in the company plunged 5% to \$14 at mid-day yesterday on the New York Stock Exchange. Last year, the company's stock had traded as high as \$19.

Circle K, in common with other US convenience store chains such as 7-Eleven, has been hit by fierce competition from gasoline companies who have added convenience stores at petrol stations.

Furthermore, US supermarkets have been competing more aggressively for convenience store customers.

The company is still hoping to restructure without resorting to filing for protection under chapter 11 of the bankruptcy code.

Lafarge Coppée advances 16%

By William Dawkins in Paris

LAFARGE Coppée, the world's second largest cement producer, yesterday announced a 16 per cent increase in group net profits for last year. Sales, boosted by new acquisitions, advanced strongly, by 34 per cent.

Lafarge, which last June paid FF30m (\$45.6m) for control of Cementaria, the Swiss cement group, saw turnover jump from FF22,77m to FF30,47m.

It forecast further growth in the current year, to around FF35bn. Adjusting for new acquisitions, turnover rose by an underlying 9 per cent.

Operating profits rose from

FF9.5bn to FF11.1bn, while group net profits climbed from FF1.8bn to FF2.12bn.

Net earnings included the first FF30m contribution from Lafarge's share in Asland, the leading Spanish cement producer controlled by Cemsa.

Operating profits rose in the cement, concrete, granulates and construction materials divisions on the back of a growth in construction activity in all main markets, except the US where Lafarge nevertheless managed to increase its market share.

Cement is by far the biggest contributor to operating prof-

its, up from FF2.3bn to FF3.3bn, representing 65 per cent of the total.

Operating profits in the plasterboard division fell from FF325m to FF234m, reflecting growing international price competition in a European market which had until recently been fragmented into national segments, said Mr Bertrand Collomb, who took over as chairman following the retirement of Mr Olivier Lecerf last August.

Profits in the biotechnology division, which includes seeds - which made a loss - and food additives, fell from FF219m to FF212m.

NOTICE TO HOLDERS

THE TAIYO KOBE BANK, LIMITED
TOKYO

Change of Name and Address as Payment Handling Bank

NOTICE IS HEREBY GIVEN to the holder of the securities below that The Taiyo Kobe Bank, Limited, Tokyo as the Payment Handling Bank in Japan will change its specified office address as follows:

Current specified office address

The Taiyo Kobe Bank, Limited
3-1, Kudan Minami 1-chome,
Chiyoda-ku, Tokyo 100-91, Japan
Business Dept./Tokyo Main Office

New Office Address

The Mitsui Taiyo Kobe Bank, Limited
1-2 Yurakucho 1-chome,
Chiyoda-ku, Tokyo 100, Japan,
Capital Markets Division
Telex: J33405 MITKBB
J34713 MITKBB

Effective date of change of office address
April 1, 1990

Asics Corporation
DM 50,000,000 5% Due 1992
Dai Ichi Kasei Denki Co., Ltd.
USD 90,000,000 5% Due 1993
Konica Corporation
USD 50,000,000 4% Due 1998
Minolta Camera Co., Ltd.
USD 30,000,000 74% Due 1995
Minolta Camera Co., Ltd.
DM 150,000,000 24% Due 1994
Orient Corporation
STGF 15,000,000 8% Due 1995
Rhythm Watch Co., Ltd.
DM 100,000,000 14% Due 1993
Taiyo Yuden Co., Ltd.
USD 50,000,000 34% Due 2000
Toshiba Engineering and Construction Co., Ltd.
USD 50,000,000 34% Due 1992
Toyo Sash Co., Ltd.
USD 500,000,000 44% Due 1993

Citizen Watch Co., Ltd.
USD 50,000,000 3% Due 2000
Kobe Steel, Ltd.
USD 100,000,000 54% Due 1991
Konica Corporation
USD 50,000,000 4% Due 1999
Minolta Camera Co., Ltd.
USD 40,000,000 5% Due 1996
Minolta Camera Co., Ltd.
DM 200,000,000 0% Due 1997
Orient Corporation
USD 60,000,000 54% Due 1997
The Taiyo Kobe Bank, Limited
USD 120,000,000 14% Due 2002
Tokyo Keiki Co., Ltd.
USD 50,000,000 54% Due 1992
Toyo Sash Co., Ltd.
USD 100,000,000 14% Due 1992
Ushio Inc.
USD 150,000,000 44% Due 1993

Ushio Inc.
USD 150,000,000 5% Due 1994

INTERNATIONAL COMPANIES AND FINANCE

Recalled KIO chief resigns from group

By Maurice Samuelson

MR FOUAD JAFFAR, until recently general manager of the Kuwait Investment Office in London, has resigned from the Kuwait Investment Authority, the umbrella body to which the KIO was officially answerable.

The KIO, which Mr Jaffar headed for the past 30 years, yesterday confirmed that he had resigned in Kuwait on Saturday.

The office refused to comment on the reasons. However, the resignation follows a prolonged power struggle over control of the Gulf emirate's international investment network, which has assets valued at about \$100bn.

The Kuwaiti newspaper Al-Qabas, which reported Mr Jaffar's departure from the investment authority yesterday, also named Sheikh Fahd Mohammed al-Sabah, a member of the ruling family, as the new acting director of the London investment office.

Al-Qabas said Mr Jaffar's resignation had been accepted by Mr Jasseem al-Khorafi, Finance Minister, who heads the investment authority.

Mr Jaffar, a Leeds University graduate and investment specialist in his early 40s, had returned reluctantly to Kuwait following the earlier recall there of four of his portfolio managers.

The struggle for control of the KIO had intensified following Kuwait's embarrassment over giving up much of the 21.7 per cent stake it had acquired in British Petroleum because of British anxieties over foreign control of a key UK oil company.

It was forced to do so despite attempts by the KIO to depict the purchase of the shares as a straightforward commercial operation.

The KIO holding in BP was increased when the British Government sold its remaining BP shares.

The Kuwait Investment Authority was set up in the 1980s as an umbrella for the KIO's operations. For a number of years, it has tried to exert control over the KIO. Mr Jaffar's resignation indicates that it has finally succeeded.

CGE set to take control of nuclear plant builder

By William Dawkins in Paris

CGE, the French telecommunications and engineering group, was yesterday poised to take a majority stake in Framatome, the leading nuclear power plant builder, to which it already owns 40 per cent.

It was on the point of agreeing to purchase the 12 per cent of Framatome held by Dumez, the construction group, lifting its total stake to 52 per cent, said CGE officials. In exchange, Dumez would take over three of CGE's subsidiaries: CGE's electrical equipment distribution subsidiary, with a turnover of FF2.6bn (\$400m).

Analysts estimate the value of the share exchange, which is not being made public, at between FF1bn and FF1.5bn.

The deal, to be finalised before the end of April, comes in spite of opposition from Mr Jean-Claude Leny, Framatome's chairman, and would

leave the public sector shareholders in the nuclear plant builder a smaller minority.

CGE is the biggest shareholder, with a 40 per cent stake, followed by the CEA, the French atomic energy authority, with 35 per cent and EDF, the public electricity utility, with 10 per cent.

Framatome has forecast a 51 per cent fall in 1989 profits to FF720m, despite an 80 per cent rise in turnover to FF19.9bn. Dumez is keen to join CGE Distribution to its electrical equipment subsidiary, Groupeloc, to "constitute the kernel of a general electrical equipment distributor with a European vocation," said CGE.

Meanwhile, CGE would keep a 34 per cent stake in CGE Distribution and continue to "participate in its development."

Ugnor Sedlar, the French state-controlled steel producer, has expanded its international reach, AP-DJ reports.

Ugnor ACG has struck a deal with Tolmatil, a unit of Belgium's steel company Cockfield Sambre, to buy Tolmatil's operations for making special steel plates for electric motors. Another Ugnor unit, Unimetal, intends to buy 50 per cent of the capital of Georgetown Steel, a US producer of mechanical wire.

BSN, the French food group, announced growth of 1989 net profit after payments to minority interests by 28 per cent to FF2.6bn (\$400m).

Valeo, French car parts group, said consolidated net profit after payments to minority interests rose to FF380m in 1989, from FF317m in 1988. Revenue rose to FF19.5bn against FF16.5bn.

Renault slips after provisions

By William Dawkins in Paris

RENAULT, the French state-owned car group, yesterday reported a small decline in group net profits to FF3.5bn (\$1.5bn) last year from the record FF3.9bn of 1988.

The result, unveiled by Mr Raymond Levy, group chairman, is below industry estimates of a FF3.1bn profit for the year to December. It reflects two large one-off provisions: FF1.2bn for the closure of the group's factory at Boulogne-Billancourt near central Paris, and FF1.9bn for retirement costs, said Mr Louis

Schwetzer, finance director.

Moreover, Renault has budgeted for a FF300m tax bill in 1989, after several years of paying little or no tax because of accumulated losses.

In Europe, unit sales of all types of vehicles, including trucks, vans and cars, rose by 5 per cent over the previous year, ahead of the market's average 3.5 per cent growth.

The group sold just over 2bn vehicles last year, 4.7 per cent more than in 1988, of which more than half, 1.1bn, were exported.

Most of the sales growth came from the French market, as reflected by a slight decline from 52 per cent to 51 per cent in the proportion of turnover due to foreign sales.

The car division boosted its pre-tax profits from FF3.8bn to FF3.2bn, but Renault Véhicules Industriels, the truck division - which published its results last week - swung from a profit of FF1.8bn to a loss of FF470m because of the larger than expected loss from Mack Trucks, its 45 per cent-owned US affiliate.

Florence insurer sells 20% stake

By Halg Simonian in Milan

LA FONDRIARIA, the Florence-based Italian insurer, has agreed to sell a 20 per cent stake in its main operating company, La Fondriaria Assicurazioni, to Group des Assurances Mutuelles Agricoles (GroupAMA) of France as part of a three-way deal valued at some L500bn (\$440m).

The transaction, which will take place at L10,400 a share, will leave La Fondriaria's hold-

ing company with a 54 per cent interest in La Fondriaria Assicurazioni.

Simultaneously, GroupAMA is buying a 5 per cent stake in GAIC, the financial group controlled jointly by Mr Camillo De Benedetti and Ferruzzi Finanziaria, for L180bn, with a commitment to participate in GAIC's imminent rights issue.

In the third part of the deal, the French group is spending a

further L140n on a 40 per cent share in ASFER, the holding company controlling the majority of shares in Bavaria Assicurazioni, a small Italian insurer specialising in cover for the agricultural sector.

La Fondriaria will retain 50 per cent of ASFER, with the remaining 10 per cent divided between Ferruzzi Finanziaria and Eridania, two members of the Ferruzzi group.

'Significant' charge to be taken at Shearson

By Janet Bush in New York

AMERICAN Express and Shearson Lehman Hutton yesterday declined to quantify a charge which will be taken against Shearson's first-quarter earnings to cover restructuring costs at the brokerage subsidiary, but confirmed that it would be "significant."

Representatives of both companies said an estimate of a \$700m to \$800m charge by Standard & Poor's, the credit rating agency, was premature because a cost-cutting effort initiated at the end of January was still in progress.

The charge will also relate to costs likely to arise from a restructuring of Shearson's business which is "in the final stages of stage one evaluation," Shearson hopes to make annual savings of \$400m. The S&P estimate is believed to come from an internal analysis of the rating agency.

American Express and Shearson expect to announce the charge within the next two weeks. If it is as large as \$700m to \$800m, it would be the biggest charge related to a restructuring on Wall Street, far outstripping the \$470m pre-tax charge taken by Merrill Lynch against its fourth-quarter earnings.

The representatives confirmed that the planned charge related to severance payments to 2,000 employees laid off over the past few weeks, the cost of closing around 50 branch offices in the US and reserves against losses at Shearson's troubled Balcor real estate subsidiary.

Balcor is estimated to have a portfolio of \$1.1bn in problem real estate loans, but Shearson has reserves of only \$10m against potential losses.

American Express and Shearson yesterday formalised its decision last month to inject another \$750m of fresh capital into Shearson and to buy back all outstanding common shares of the securities subsidiary.

Under a sweetened, definitive merger agreement each publicly held share of Shearson will be converted into 0.45 of a share of American Express, compared with the previous ratio of 0.425.

Banks aim to make sense of double Dutch deal

Laura Raun on Amro and ABN's planned merger

A Amsterdam-Rotterdam Bank says in its advertising slogan, "Being Dutch isn't enough." So now it's going double Dutch.

Amro, the biggest bank in the Netherlands, and Abn-Amro Bank Nederland, number two and arch rival, plan to merge as soon as possible to create a powerful home base as a launch pad for rapid expansion abroad. If the marriage goes through the new bank would rank sixth in Europe and 15th worldwide, number one and arch rival, plan to merge as soon as possible to create a powerful home base as a launch pad for rapid expansion abroad.

Some securities analysts, however, question whether such a new bank would possess the expertise and resources to compete worldwide in merchant and private banking. Consolidating the pair's operations, especially its large branch network in the Netherlands, will cost before it saves money, they reckon.

"Neither consumers nor corporate borrowers will benefit immediately," predicts Mr Matthew Czepliwicz, a banking analyst for Credit Suisse First Boston in London. "There are a lot of cultural differences. But in the long term it is a good move and there will be savings."

Investors reacted mutedly yesterday, their first opportunity to respond to the startling announcement on Monday, when share trading in the two banks was suspended. Shares in both were initially bid up, but closed only slightly higher, ABN at FF40.20 (FF40.10) and Amro at FF50.50 (FF49.10).

To demonstrate convincingly the merits of their deal ABN and Amro must succeed in the market niches they have selected, cut costs and improve profitability. Higher share prices, which are at historical lows, would be welcome.

Amro comes to the engagement soon after splitting with Générale de Banque Bank of Belgium, with whom the Dutch bank had forged a strategic alliance with an eye toward eventual marriage. But Amro and Générale refused to give up enough sovereignty to make the merger work.

Last September Amro and

Générale scaled back their co-operation, which could shrink further now.

Amro can little afford another soured relationship and appears committed to this merger. Likewise, ABN seems relieved to have a partner, despite its earlier talk of braving the banking jungle alone.

The couple is beginning to negotiate the marriage contract in earnest only now, hoping to achieve a full merger within months. Mr Robert Hazelhoff, chairman of ABN, said haste was demanded by the rapid pace of world events.

With combined assets of FF353bn (\$183bn), about 65,700 employees and 1,473 branches in its home market, the new institution would dominate the Netherlands. But some competitors - notably foreign banks - expect a windfall from corporate clients turning from a kind of "bank monopoly."

Despite dominant shares of the corporate and retail markets in the Netherlands, the Dutch Finance Minister and Central Bank have already given their blessing to the planned marriage. Even Mr Hazelhoff and Mr Roelof Nelissen, Amro chairman, admit that such approval before the heat of 1992 would have been doubtful.

Cultural differences between the two banks are bigger than one might expect from the two biggest banks in a relatively small and cosy home market.

Both are products of mid-60s mergers, but ABN prides itself on conservatism, stability and reliability. Tracing its roots to an 1824 charter from King William I of the Netherlands, ABN has made its name catering to blue chip companies and creating a globe-straddling network of foreign branches.

Amro is more aggressive, having rapidly carved out an impressive market in international securities underwriting through several big Dutch privatisations and issues last year. Its management is younger and more dynamic.

Mr Hazelhoff and Mr Nelissen were vague on exactly how their merger would take place. But most analysts expect them to form a holding company to

issue new shares in exchange for existing ones at a rate of one Amro share and two ABN shares for one new holding company share.

Given its high hopes of becoming a global player, the Dutch couple has singled out trade finance as a key activity, having 375 branches overseas.

But analysts are more sceptical about the new bank's competitive edge in merchant banking, where neither partner has the clout abroad that it has at home.

Opinion is divided on whether Amro's merchant bank subsidiary Pierson, Holding and Pierson, or ABN's merchant bank subsidiary Bank Mees and Hope, will be sold. Some analysts believe one must be to avoid overlap, while others argue that selling would amount to "throwing the baby out with the bath water," since skilled merchant bankers will be needed.

Also the new Dutch duo would seek to make a name for itself in private banking, building on ABN's experience with well-heeled clients. But whether it could catch up with the major international banks is in doubt.

At least 15 per cent of the domestic branch network and labour force need to be cut to yield genuine savings, analysts say. Dutch trade unions yesterday demanded a "social plan" to ensure no forced lay-offs. The banks rejected the demand.

Mr Czepliwicz estimates that ABN and Amro together would lose about FF265m this year if they immediately absorbed the restructuring costs. But over longer they could save FF170m, he adds.

He expects little earnings dilution this year from a merger. But he warns: "Investors are frustrated with ABN, which keeps saying 'just wait until next year for less earnings dilution. Over the short term these costs won't help that frustration although in 10 years they probably will.'"

The newly merged bank would boost Amsterdam's hopes of becoming a financial gateway to continental Europe, according to the two chairmen. To others the link is less clear.

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Writedowns hold back Hypo Bank

BAYERISCHE Hypotheken und Wechsel-Bank, the Munich-based mortgage and commercial banking group, said group net profit rose 11.0 per cent in 1989 to DM284.7m (\$186m) from DM258.6m a year earlier, AP-DJ reports.

Group partial operating profit, which does not include income from the bank's trading for its own account, rose 2.1 per cent to DM1,018m from DM994.4m a year earlier.

At the parent bank, partial operating profit rose 6.1 per cent, but full operating profit, which suffered from writedowns on the value of bond holdings increased only 1.1 per cent. Bond writedowns totalled DM79.8m, more than double the 1988 total of DM32.8m.

Hypo Bank none the less cited an unusually strong rise in its underlying business last year and the profit developments were "pleasing." The company noted continued strong credit demand in the first two months of 1990, but cautioned that there has been an ongoing increase in margin-tightening interest rates as well.

Hypo Bank said it wants to establish "a comprehensive network of offices" as soon as possible in East Germany. The bank said it has already had an up 18 "contact bureaux" in the country.

Metallgesellschaft sees price fall slowing growth

By Katharine Campbell in Frankfurt

WEST German metals, mining and engineering group Metallgesellschaft expects an increase in sales and profits of at least 10 per cent for the first six months to March 1990, allowing the company "to meet its targets" for the rest of the year.

But both sales and income growth will be slower than in the previous two years because

of the recent fall in metal prices, particularly aluminium and nickel. Mr Heinz Schimmelbusch, the chairman, yesterday said that the expected continued growth, despite the less favourable metals price environment, vindicated the company's diversification strategy over recent years.

For the entire year 1989/90, the company has already

reported net income of DM204.6m (\$119.3m), up 32 per cent on the previous year, on sales worth DM20.1bn, also representing a rise of 32 per cent. In presenting the results, Mr Schimmelbusch yesterday warned against excessive "euphoria" in the wake of events in East Germany. "Short-term profits cannot be expected," he said.

Repsol raises cash flow and plans to trim staff

By Tom Burns in Madrid

REPSOL, the Spanish state-controlled integrated oil giant which was partially privatised last year, raised its 1989 net profits by 15 per cent to Ptas4.4bn (\$96m), Mr Oscar Fanjul, chairman, said yesterday. Repsol's cash flow was up by more than 17 per cent on 1989 to close on Ptas14.6bn.

Provisions for employee pension funds and for a planned trimming of the company's labour force represented Ptas4bn. Repsol will pay out a pre-tax dividend of Ptas90 per share. Ptas90 was paid as an interim dividend in December and Mr Fanjul said the out-

standing Ptas90 would be paid on June 30. In future years, the dividend payout would represent between 40-50 per cent of net profits.

Stressing that Repsol did not own any shares in its own business (treasury stock is common in Spain) and that it had played no part in fixing the price of the company's shares, Mr Fanjul said: "Repsol's price has been formed in conditions of maximum transparency." A priority would be to increase its quota of Spain's natural gas market and to contribute to this sector's "excessive fragmentation."

Restructuring returns Gechem to profitability

GECEM, the Belgian chemical concern, swung into profitability in 1989, posting a consolidated group after-tax profit of BFR2.87bn (\$90.6m) compared with a loss of BFR3.09bn in 1988.

Sales of traditional products dipped by about 2 per cent to BFR4.45bn from BFR4.33bn in 1988. Gechem said it would propose to its general meeting in June an after-tax dividend of BFR28.25 a share to holders of preferred stock.

The turnaround came during a year of restructuring, during which Gechem shed some key subsidiaries and acquired other businesses.

Ambroveneto joins Italian bank trend of rising profit

By Haig Simonian in Milan

NET PROFITS at Banco Ambrosiano Veneto (Ambroveneto), Italy's largest private-sector bank, rose by 15 per cent to L142.9bn (\$113m) last year.

The results for the bank, which took its present form after the merger of Nuovo Banco Ambrosiano and Banco Cattolica del Veneto last year, compare with the L50bn and L74bn reported by the two banks respectively in 1988.

Reflecting the upbeat trend in a string of recent Italian bank results, Ambroveneto is raising the total amount being

paid in dividends to L75bn, 20 per cent higher than the combined level paid by the two banks while independent. Ordinary shareholders will receive L120 a share, while the bank's three classes of savings share will be paid between L70 and L140 each.

On a consolidated group basis, loans to customers jumped by 28.3 per cent to L12,851bn, while deposits increased by 14.4 per cent. Total assets at year end, excluding contra accounts, amounted to L28,655bn.

Siemens and SGS-Thomson link

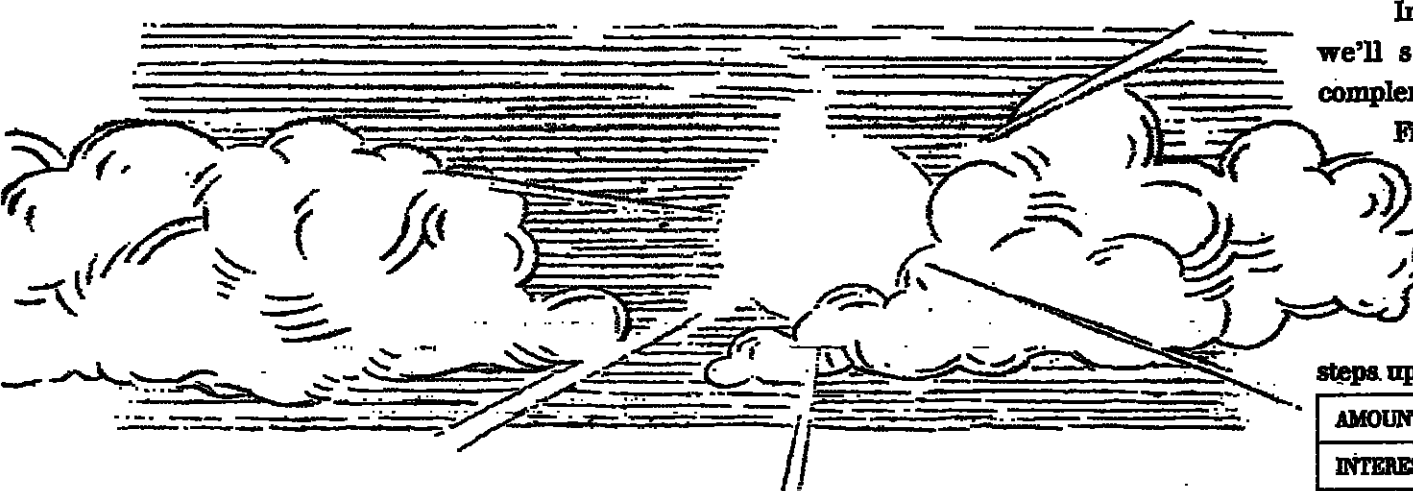
SIEMENS, the West German electronics group, said it will immediately begin to co-operate with SGS-Thomson Microelectronics, the Franco-Italian semiconductor group, in high capacity-micro controllers, Reuters reports from Munich.

Siemens said the aim of the co-operation was to bring to the markets integrated solu-

tions for high-capacity eight- and 16-bit micro controllers. As part of the co-operation each group would become a second source for products for the other. SGS-Thomson was formed from a merger between the chip activities of France's state-controlled Thomson-CSF and Italy's state-owned Stet Spa Ord in July 1987.

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FINANCIAL TIMES
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Jardine Matheson

"Record results throughout the Group."

HENRY KESWICK, Chairman



Highlights 1989

Jardine Matheson

An Outstanding Year

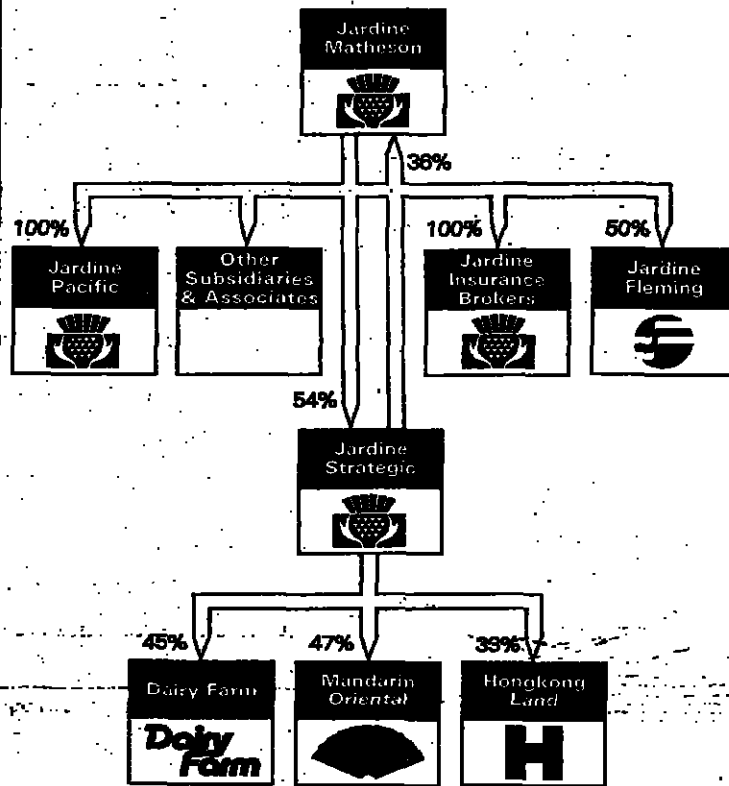
- Profit after taxation +42%
- Earnings per share +45%
- Dividends per share +45%
- Net assets per share +15%

- Earnings per share doubled over last two years
- Record profit in Hong Kong
- 40% of profit earned from outside Hong Kong, up from 34% in 1988

"The current year has begun encouragingly and while it is too early to make any earnings prediction we remain confident about the prospects throughout the Group."

HENRY KESWICK, Chairman
Hong Kong, 21st March 1990

	Year ended 31st December 1989	1988	1987
Group sales	26,545	17,282	2,883
Profit after taxation and minority interests	1,877	1,175	255
Shareholders' funds	71,250	5,293	1,471
Dividends per share	0.55	0.38	0.26
Net assets per share	0.55	0.38	0.26
Net asset value per share	0.55	0.38	0.26



The chart shows in outline form the Group structure and effective interests at 21st March 1990



Highlights 1989

Jardine Strategic

Excellent Results

- Profit after taxation +45%
- Earnings per share +45%
- Dividends per share +39%
- Net assets per share +48%

- Net asset value per share up 300% over past five years against 138% for Hong Kong Index

- Record earnings per share for affiliates

- Jardine Matheson +45%
- Dairy Farm +23%
- Hongkong Land +23%
- Mandarin Oriental +9%

- Borrowings reduced and strategic shareholdings increased

"While it is too early to make any forecast for the current year, we expect to be able to report satisfactory results again in 1990."

HENRY KESWICK, Chairman
Hong Kong, 22nd March 1990

	Year ended 31st December 1989	1988	1987
Profit after taxation and minority interests	1,276	875	165
Shareholders' funds	17	143	2
Shareholders' funds	18,720	12,243	2,287
Dividends per share	0.55	0.38	0.26
Net assets per share	0.55	0.38	0.26
Net asset value per share	0.55	0.38	0.26

Dairy Farm

Highlights 1989

Worldwide Growth

- Profit after taxation +27%
- Earnings per ordinary share +23%
- Dividends per ordinary share +20%
- Shareholders' funds per ordinary share +20%

- Operations

- Asia

- Record year in Hong Kong
- 242 7-Eleven stores acquired
- Taiwan supermarkets doubled to 16
- Record year for Mideast

- Australia

- Record year for Franklin

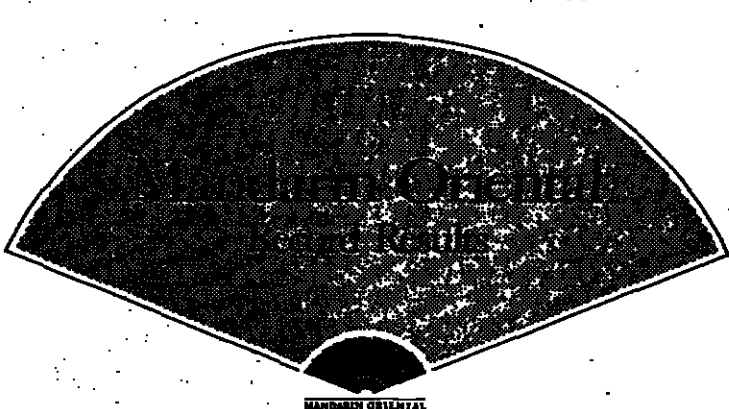
- UK

- Record year for Kwik Save

"Each of Dairy Farm's businesses is in excellent financial condition. Although 1989 will see tighter economic climates in the markets in which we operate, your Directors look forward to another year of growth."

SMITH KESWICK, Chairman
Hong Kong, 15th March 1990

	Year ended 31st December 1989	1988	1987
Group sales	26,545	17,282	2,883
Profit after taxation and minority interests	882	775	125
Shareholders' funds	8,204	4,222	527
Dividends per share	0.28	0.23	0.20
Net assets per share	0.28	0.23	0.20
Net asset value per share	0.28	0.23	0.20



Profit after taxation +12.7%

Dividends per share +5.3%

Dividends per share +14.7%

"Mandarin Oriental again achieved record profit and earnings per share in 1989, despite the difficult conditions prevailing in several of our markets during the second half of the year."

Our properties in Hong Kong and Macao have achieved remarkable levels of occupancy in the first five months of 1990, and business in the Philippines is showing signs of recovery. Prospects for tourism and business travel to the rest of the Asia-Pacific region generally remain good for the near term. While the Group's trading profit remains in Hong Kong, we expect to be under some pressure in 1990, your Board is confident of a satisfactory overall outcome for the year."

SMITH KESWICK, Chairman
Hong Kong, 9th March 1990

	Year ended 31st December 1989	1988	1987
Group sales	958.8	917.2	122.8
Profit after taxation and minority interests	392.8	348.5	50.2
Shareholders' funds	—	48.2	—
Shareholders' funds	392.8	348.5	50.2
Dividends per share	0.58	0.55	0.08
Net assets per share	0.58	0.55	0.08
Net asset value per share	0.58	0.55	0.08

Hongkong Land

Highlights 1989

Hongkong Land

Record Earnings and Strong Balance Sheet

- Net property rentals +45%
- Profit after taxation +24%
- Earnings per share +23%
- Dividends per share +26%

- Profit and net assets reflect impact of special distribution of HK\$5,173 million

- Net borrowings less than 17% of shareholders' funds

- 6 million sq. ft. property portfolio virtually fully let

"With the new Grade A office supply coming on stream in Core Central in 1990, the Company is confident of another year of positive rental investment and profit growth."

SMITH KESWICK, Chairman
Hong Kong, 16th March 1990

	Year ended 31st December 1989	1988	1987
Net property rentals	3,541	1,258	—
Profit after taxation	1,008	1,217	—
Property value	49,827	44,245	—
Shareholders' funds	38,880	42,101	—
Dividends per share	0.58	0.45	—
Net assets per share	0.58	0.45	—
Special payment per share	2.00	—	—
Net asset value per share	18.85	18.57	—

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FAX: (1) 6382057

ASSETS	Balance sheet as at 31.12.1989 US\$
Cash and due from banks	788,252,952
Reserve requirements	375,492,775
Treasury bonds	381,662,424
Loans	1,024,641,302
Overdue Loans	579,893
Participations	85,868,715
Premises and equipment	128,413,960
Other assets	224,645,719
Total assets	3,009,557,740
LIABILITIES	
Deposits	2,136,950,281
Borrowed funds	41,322,406
Other liabilities	303,432,679
Total liabilities	2,481,705,366
STOCKHOLDERS' EQUITY	
Capital*	216,321,922
Reserves	162,132,823
Profit (after taxes)	149,397,629
Total stockholders' equity	527,852,374
Total liabilities and stockholders' equity	3,009,557,740
(Converted at TL 2311.37/US\$1)	
* Capital has been increased to US\$ 432.6 million as of March 1990	

AKBANK

INTERNATIONAL COMPANIES AND FINANCE

Paribas set for top-level shake-up

By William Dawkins in Paris

PARIBAS, France's top merchant bank, will tomorrow pave the way for Mr Michel François-Poncet, the chairman, to hand over executive decision-making to the current head of the group's biggest subsidiary, but he will retain control over broad strategy.

The shake-up, in which Mr André Lévy-Lang would move from his present job as president of the Compagnie Bancaire consumer lending and mortgage finance group to become Paribas' chief operating officer, is set to be the biggest at the top of Paribas since Mr François-Poncet took over in 1988.

This follows the recent costly failure of Paribas' bid for Navigation Mixte, the food to financial services conglomerate, which unexpectedly counter-attacked by buying 12 per cent of Paribas' shares, making it the private bank's biggest single shareholder - an unwelcome presence.

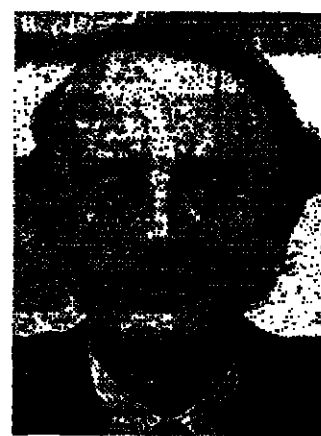
Paribas' confirmation that a big management change is on the way comes after a day in which nearly 2.4 per cent of Paribas' capital has changed hands, bringing to 6.3 per cent the total turnover on the Paris market alone since last Thursday, when the current bout of speculation began. Heavy buying has been variously attributed both to allies of Paribas

and Navigation Mixte but no holder has officially announced a big increase in its stake.

The proposal is also the outcome of a longer-running debate between Paribas, its shareholders and its former government owners over the desirability of allowing one man, even as skilled as Mr François-Poncet, to have so much control over the fate of what is France's fourth largest bank, say observers. The Government has an important voice in Paribas' affairs as owner of some of its leading institutional shareholders.

The change will be adopted in principle at tomorrow's regular board meeting, at which Paribas' annual results will also be ratified, for final agreement at an extraordinary meeting of shareholders at the end of April or in early May. Last year's net profits are expected to have risen by 30 per cent to FF4.4bn (\$680m), well ahead of Paribas' original forecast.

Navigation Mixte will be an important voice at the shareholders' meeting needed to approve the change, although Paribas officials point out that Mr François-Poncet had 65 per cent of the votes behind him at the last shareholders' meeting last month. Seeking an accord with Navigation Mixte would be one of Mr Lévy-Lang's top priorities.



André Lévy-Lang: an innovative leader

The proposal, which is understood to have Mr François-Poncet's support, would replace the current single management board with a two-tier arrangement, a supervisory body responsible for setting strategy, under the chairmanship of Mr François-Poncet and an executive management board under the chairmanship of Mr Lévy-Lang.

Paribas' main shareholders would be represented on the supervisory board, while the executive body would include five to six bank directors drawn from the current board. The plan, agreed in outline over the weekend, is the out-

come of several months of intense behind-the-scenes discussion among Paribas management and shareholders. Paribas executives were keen to get more management say in the wake of the failure of the bid for Navigation Mixte, while foreign investors were also pressing for better representation for similar reasons, observers say.

Paribas officials point out that the two-tier organisation, similar to West German practice, would not be a significant break with the past, since the bank was run on those lines before nationalisation.

The main alternative to Mr Lévy-Lang, who has won a reputation as a popular and innovative leader at Compagnie Bancaire, was Mr Gérard Eskenazi, head of Pargesa, the financial holding group which owns 5.5 per cent of Paribas. Mr Eskenazi had little support from the Government, a legacy of his opposition to the nationalisation of Paribas in 1982 when he was its managing director. The bank was privatised by the right-wing administration in 1987.

Another deciding factor was the decision of UAP, the largest state-owned insurance company, which owns 5 per cent of Paribas, to support Mr Lévy-Lang in preference to Mr Eskenazi.

Pargesa to hold dividend despite write-off

By William Dullforce in Geneva

PARGESA HOLDING, the Swiss parent of the financial and industrial group headed by Mr Gérard Eskenazi and Mr Albert Frère, plans to pay shareholders an unchanged dividend for 1989 in spite of taking a SF200m (\$190m) loss on the collapse of Drexel Burnham Lambert, the New York investment bank.

Net consolidated earnings for 1989 stood at SF204.8m but the board yesterday approved the complete write-off of Pargesa's 13 per cent indirect stake in Drexel, which filed for bankruptcy last month after running into liquidity problems with its junk bond operations. On February 15 Pargesa had said it intended taking the loss on its 1989 account.

The consolidated net profit of SF160.2m compares with the SF160.2m the group posted in 1988 and the SF106.5m it reported at the half-way stage in 1988.

Pargesa Holding's statutory accounts for 1989 show a net income of SF160m, or SF160.2 per share, down from SF190m or SF182.3 per share in 1988. The decrease reflects the Drexel write-off. The dividend is maintained at SF165 a share.

Last year Pargesa increased its capital by SF102m through a rights issue and a convertible bond, enabling it to subscribe to capital increases in Groupe Bruxelles Lambert in Belgium and Parifinance of France, and to raise its stake in both companies.

At the end of the year Pargesa held 31.1 per cent of GBL and 26.6 per cent of Parifinance.

Shortly after Drexel filed for bankruptcy last month, Mr Paul Desmarais, chairman of Power Corporation of Canada, announced that he was increasing his stake in Pargesa to 35 per cent and would co-operate more closely with Mr Frère and Mr Eskenazi in developing the Swiss-based holding company.

Murchison mine may be forced to shut down

By Jim Jones in Johannesburg

CONSOLIDATED Murchison, the South African mining company which produces about 12 per cent of the world's antimony, is on the brink of closure.

Murchison's mine, near the northern Transvaal town of Gravelotte, employs about 1,500 miners and has been running at a loss since mid-1988 as world antimony markets became oversupplied and the company's sales deteriorated. Problems were compounded by a decline in gold production as residue dumps became depleted.

Mr Michael Hawarden, the chairman, said a decision on the mine's future would be taken within three weeks, but was reluctant to elaborate until then.

In his 1989 chairman's statement he warned that production of antimony sulphide concentrates was unlikely to increase in 1989-90 and that sales would be restricted to current production levels as concentrate stocks had been run down to low levels. However, he predicted an increase in mining rates over time as there was a ready demand for concentrates even though prices were depressed.

In the last financial year the mine produced 8,638 tonnes of antimony concentrates with a 58.85 per cent metal content. Johannesburg mining analysts believe expansion is no longer a prospect and that Murchison is having difficulty selling its concentrates. They say the mine is unlikely to re-open, should it close.

Murchison has been one of the most reliable suppliers of clean concentrates for many years.

Murchison's financial difficulties grew during the final six months of 1988 as the operating loss rose to R4.9m (\$1.144m). This, coupled with capital expenditure of R2.4m, eliminated the mine's end-June net current assets of R8.5m. Further losses have been incurred in this year's March quarter and the mine's controlling shareholders are undecided about financing further losses.

Cathay Pacific 17.6% ahead

By John Elliott in Hong Kong

CATHAY PACIFIC Airways, Hong Kong's international air carrier which is a listed subsidiary of the Swire Pacific group, yesterday declared attributable net profits of HK\$3.32bn (US\$425.6m) for last year, up 17.6 per cent. Turnover was up 14.4 per cent to HK\$17.28bn.

During the year Cathay Pacific, on a load factor of 75.6 per cent which was marginally above the previous record level achieved in 1988. Profits were hit by increased costs, but there was a "substantial improvement" in returns from invested funds, the company said.

A total of 7.1m passengers was carried during the year, a 14.5 per cent rise, and passenger revenue grew 17.4 per cent to HK\$13.80bn.

A weaker yen partly

accounted for a reduction in the long-term unrealised exchange loss on foreign currency - financing from HK\$4.16bn at the end of 1988 to HK\$2.73bn on December 23.

Cathay has been in the headlines during the last few months because it has taken joint control with Peking-owned China International Trust and Investment Corporation (Citic) of Dragonair, Cathay's small local rival. Next month it is handing over to Dragonair its flights to Peking and Shanghai, but it hopes to benefit overall through its new 30 per cent stake (plus a further 5 per cent held by Swire Pacific) from an expected gradual expansion of Dragonair's China services.

The company said load factors in 1989 were expected to remain high, particularly for passenger traffic. Capacity is planned to be increased by 20 per cent to meet the demand. Last year capacity was boosted by 3.2 per cent.

A final dividend of \$1.5 cents is being recommended, making a total for the year of 42 cents, up from 36 cents.

● Television: Broadcasts (TVB), a local station, showed a 16 per cent drop in 1989 after-tax profits to HK\$367m, due mainly to soaring staffing costs and stiff competition, AP-DV adds.

Turnover rose 8 per cent to HK\$1.34bn, and the total dividend is being lifted to 60 cents from 50 cents. The group was reorganised in November 1988. The spun-off TVB (Holdings) edged up net profit 2 per cent to HK\$48m.

New Issue

March 1990

8,500,000 Shares Japan OTC Equity Fund, Inc. Common Stock Price U.S. \$12 Per Share

The New York Stock Exchange symbol is JOF.

Copies of the Prospectus may be obtained in any State or jurisdiction from such of the undersigned as may legally offer these securities in compliance with the securities laws of such State.

Nomura Capital Management, Inc. - Manager
Nomura Investment Management Co., Ltd. - Investment Adviser

6,000,000 Shares

The above shares were underwritten by the following group of U.S. Underwriters.

Nomura Securities International, Inc.

Alex. Brown & Sons
Incorporated

PaineWebber Incorporated

Bear, Stearns & Co. Inc.

The First Boston Corporation

Deutsche Bank Capital Corporation

Dillon, Read & Co. Inc.

A.G. Edwards & Sons, Inc.

Goldman, Sachs & Co.

Kidder, Peabody & Co.

Lazard Frères & Co.

Merrill Lynch Capital Markets

Prudential-Bache Capital Funding

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C.J. Lawrence, Morgan Grenfell Inc.

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Ladenburg, Thalmann & Co. Inc.

Piper, Jaffray & Hopwood Incorporated

McDonald & Company Securities Inc.

Oppenheimer & Co., Inc.

Rothschild Inc.

The Robinson-Humphrey Company, Inc.

Rotan Mosle Inc.

Tucker Anthony Incorporated

Sanyo Securities America Inc.

Sotro & Co. Incorporated

Yamatane Securities (America), Inc.

2,500,000 Shares

The above shares were underwritten by the following group of International Managers.

Alex. Brown & Sons
Incorporated

Nomura International

PaineWebber International

Swiss Bank Corporation

This announcement appears as a matter of record only.

\$17,000,000

E.I. du Pont de Nemours
and Co.

Mexican Debt/Equity Swap

The undersigned acted as placement
agent and converting bank for this
Mexican debt-to-equity transaction.

Capital Markets Group



FIRST CHICAGO

The First National Bank of Chicago

ALL NIPPON AIRWAYS CO., LTD.

(Zen Nippon Kyo Kabushiki Kaisha)

GUARANTEED FLOATING RATE NOTES DUE 1991



Unconditionally and irrevocably guaranteed as to payment of principal and interest by

The Long-Term Credit Bank of Japan, Limited

Notice is hereby given that the Rate of Interest has been fixed at 15.4375% p.a. and that the interest payable on the relevant Interest Payment Date, June 27, 1990 against Coupon No. 22 in respect of \$5,000 nominal of the Notes will be £194.55.

March 28, 1990, London

By Citibank, N.A. (CSSI Dept.), Agent Bank

CITIBANK

BAWAG

BANK FÜR ARBEIT UND
WIRTSCHAFT A.G.

(Incorporated with limited liability in Austria)

US\$100,000,000 Subordinated Floating Rate Notes due 2000

In accordance with the terms and conditions of the above-mentioned Notes notice is hereby given that the Rate of Interest has been fixed at 8.75% per annum and that the interest payable on the relevant Interest Payment Date, September 28, 1990 against Coupon No. 11 in respect of U.S.\$10,000 nominal of the Notes will be U.S.\$447.22

March 28, 1990, London

By Citibank, N.A. (CSSI Dept.), Agent Bank

CITIBANK

INTERNATIONAL CAPITAL MARKETS

Gulf banks fall back on hard sell tactics

A senior oil company executive in the Gulf said: "Banks in this region are a nuisance. They pester us endlessly with unsolicited phone calls offering to lend money and provide financial advice."

The complaint reflects the growing aggression of banks in the region as they seek desperately to drum up new business. Since 1984, the number of offshore banking units based in the Gulf has risen from 74 to 85. International bankers expect the trend to continue. They predict that more smaller OBU's will be forced to close operations in coming months and that the bigger banks will reduce their presence further.

In recent months there has been a marked improvement in the economic environment of the Gulf states following the ceasefire - nearly two years ago - in the war between Iraq and Iran and an upturn in crude oil prices.

Gulf states have begun a cautious programme of new investments including aluminium projects in Bahrain, Dubai and Saudi Arabia. Big fleet expansions are planned by the Bahrain-based Gulf Air and Dubai's Emirates airline; and

Hunter Reynolds on a new era of growing competition among banks in Bahrain.

programmes to increase crude oil and natural gas capacity are underway in Saudi Arabia, UAE, Qatar and Oman. Most projects are expected to, or already have, resulted in capital issues.

But international bankers in the region complain of their inability to capitalise from the reconstruction of either Iraq or Iran. The former has embarked on a strict policy of not borrowing from western banks while Iraq has borrowed directly from banks in the West bypassing the regional banking centre in Bahrain.

In spite of the modest upturn in growth, foreign banks are being squeezed by increased competition from local Arab banks. Many areas which used to form the core business of the foreign OBU's, such as straight commercial lending and trade finance, are being taken over by local banks which have started to compete with ever-increasing effectiveness.

Bahrain has also lost its time zone advantage which in the past made it a centre of regional treasury operations. Better communication and willingness by other markets to work longer hours has meant that most treasury business has been switched to Singapore and London.

Bahrain's OBU's have been left to chase after the financing of the few large projects coming out of the Gulf Co-operation Council states. The fact that most of the region's significant infrastructure programmes were completed before the recession in the mid-1980s means the number of new projects will be limited. And bankers add that tougher capital adequacy rules - which, with the exception of Saudi Arabia, place most Gulf states in a high-risk category - will act as a distinct disincentive to bank lending in the region.

Lloyds Bank of the UK moved out of Bahrain in 1987 setting up its regional operations in Dubai. "There is increasing competition for resources especially from Europe for civil engineering projects," says Charles Neil, Lloyds' area manager. "The capital adequacy rules mean the Gulf is no longer as attractive for foreign banks." Local Arab banks with access to cheap funds from local depositors and which traditionally have been prepared to accept a lower return on assets are expected to fill the gap.

The large foreign banks, especially the US banks, are looking to re-generating business as a way of staying in the market. In particular, they are offering their expertise in sophisticated capital market operations to local institutions. "We are trying to move up-market," says the head of one US bank. "We want to offer products like currency options, portfolio management, securitisation, underwriting of loans, and financial advice."

Increasingly, foreign banks are looking for link-ups with local institutions, strategic alliances in which the domestic banks bring the clients and the foreign banks offer the expertise.

"We are here by virtue of history and because we need a centre in the Middle East," says the head of a big US bank. "But the fact is that I've inherited a structure that does not fit the business I want to do."

Many bankers find themselves in just this position. A further round of rationalisation by banks in Bahrain looks firmly on the cards.

Frankfurt unveils plans to update clearing system

By Katherine Campbell in Frankfurt

THIS state of Hesse's central bank in Frankfurt yesterday unveiled plans to modernise the interbank clearing system and make the West German financial markets more attractive to investors.

A pilot group of 14 domestic and international banks has begun to look up to the electronic clearing system which - if all goes well - will eventually replace the existing process involving messengers and countless pieces of paper. The pilot phase will last about six months.

In the general move to catch up with other European financial markets, the West German clearing system is being heavily modernised. The German clearing system, opened in January, is fully computerised, and there are plans for the electronic trading of leading domestic equities by the end of this year.

Meanwhile, Hesse's initiative further confirms the concentration of new systems in Frankfurt and the further erosion of regional stock market configurations. Some 97 per cent of domestic and foreign D-Mark payments by value (around DM400bn daily on average) is in Frankfurt, although the concentration in terms of number of transactions is much less.

The new clearing system is in principle similar to existing networks in other financial centres - such as Cibo in New York, Chaps in London and Sgillan in Paris.

However, the regional bank has made use of more recent technology to provide an interface with banks' existing in-house systems instead of having a single, and very costly, hardware and software network which participants have to acquire.

The system is being introduced gradually. Turnover on the first day was around DM11bn, rising to DM20bn yesterday.

The 14 pilot banks, which should all be hooked up by

the end of the year, accounted for about two-thirds of the daily turnover under the old system.

When the system is properly functioning the participants will know the final status of their cleared positions three hours earlier than under the old paper-based and labour-intensive process, thus reducing their costs and risks.

Between 40 and 60 institutions are expected to sign up for the clearing process at a cost of between DM100,000 and DM500,000 per member, depending on how advanced their existing in-house systems are.

More may be interested as the Bundesbank proceeds over the next couple of years with its so-called "open communication" project which involves further electronic interfaces with the banking system, and which will also allow a greater computerised exchange of information between individual banks themselves.

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The 14 pilot banks, which should all be hooked up by

Success for Polish bank issue

By Christopher Robinski in Warsaw

THE public share subscription aimed at privatising Bank Indoty Gospodarczy, the small Polish commercial bank, has been "significantly oversubscribed".

The successful conclusion of the share issue, open to foreign investors as well as the Polish private sector, means that the shareholding in Bank IG held by state sector companies has fallen from 99.3 per cent to 41.3

per cent. Last autumn another newly formed Polish bank, Bank Komunalny in Bydgoszcz (BKK), sold 9,965 shares at the equivalent of \$700,000 lifting to 55 per cent the private sector share of the bank's capital.

The BKK is planning a further issue of shares next month which will be open to foreign investors and allow them to purchase up to 20 per cent of the issue, a limit set by

the central bank. At the Bank IG, 1,003 applicants offered to buy 22,857 shares against the 15,000 shares which went on sale in mid-February.

Foreign investors, which will be limited to 20 per cent, applied to buy 39.4 per cent of the issue.

The issue was advised by First Europe Equity and Bond which is based in London.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

US DOLLAR	Issue	Yield	Change	Offer	Day	Week	Yield
STRAIGHTS							
Alcatel 5 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 6 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 7 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 8 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 9 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 10 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 11 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 12 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 13 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 14 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 15 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 16 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 17 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 18 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 19 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 20 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 21 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 22 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 23 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 24 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 25 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 26 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 27 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 28 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 29 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 30 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 31 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 32 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 33 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 34 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 35 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 36 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 37 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 38 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 39 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 40 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 41 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 42 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 43 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 44 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 45 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 46 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 47 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 48 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 49 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 50 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 51 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 52 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 53 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 54 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 55 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 56 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 57 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 58 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 59 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 60 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 61 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 62 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 63 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 64 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 65 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 66 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 67 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 68 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 69 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 70 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 71 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 72 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 73 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 74 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 75 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 76 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 77 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 78 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 79 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 80 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 81 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 82 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 83 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 84 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 85 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 86 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 87 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 88 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 89 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 90 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 91 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 92 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 93 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 94 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 95 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 96 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 97 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 98 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 99 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2
Alcatel 100 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2

GERMAN MARK									
Issue	Yld	Offer	Day	Week	Yield				
Alcatel 5 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 6 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 7 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 8 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 9 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 10 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 11 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 12 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 13 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 14 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 15 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 16 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 17 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 18 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 19 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 20 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 21 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 22 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 23 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 24 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 25 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 26 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 27 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 28 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 29 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 30 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 31 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 32 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 33 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 34 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 35 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 36 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 37 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 38 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 39 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 40 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 41 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 42 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 43 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 44 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 45 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 46 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 47 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 48 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 49 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 50 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 51 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 52 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 53 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 54 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 55 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 56 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 57 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 58 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 59 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 60 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 61 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 62 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 63 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 64 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 65 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 66 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 67 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 68 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 69 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 70 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 71 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 72 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 73 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 74 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 75 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 76 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 77 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 78 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 79 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 80 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 81 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 82 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 83 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 84 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 85 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 86 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 87 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 88 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 89 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 90 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 91 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 92 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 93 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 94 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 95 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 96 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 97 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 98 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 99 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 100 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 101 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 102 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 103 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 104 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 105 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 106 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 107 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 108 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 109 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 110 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 111 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 112 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 113 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 114 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 115 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 116 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 117 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 118 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 119 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 120 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 121 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 122 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 123 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 124 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 125 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 126 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 127 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 128 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 129 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 130 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 131 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 132 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 133 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 134 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 135 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 136 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 137 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 138 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 139 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 140 1/2	200	8 1/2	+0.01	9 1/2	100	100	8 1/2		
Alcatel 141 1/2	200	8 1/2	+0.0						

INTERNATIONAL CAPITAL MARKETS

Brokers call for options management to resign

By Deborah Hargreaves

IN A measure of the frustration that is seething among brokers on the floor of the London Traded Options Market, some of them are calling for the resignation of the exchange's entire management.

Members of the options exchange are irritated at the time it is taking for LTO to be hived off into a separate company away from its parent, London's International Stock Exchange. A group of leading brokers are even threatening to set up their own breakaway exchange if LTO does not gain its independence soon.

There are signs, however, that the stock exchange is moving towards an autonomous LTO, and it is understood to have agreed in the past two weeks that its options arm can now apply for recognition as an exchange in its own right. LTO says this involves

it making an application to the UK regulator, the Securities and Investments Board, which it plans to complete by June.

This could mean LTO will operate as an autonomous body by the end of the year - a move that will be widely welcomed by options brokers who believe LTO's development has been hampered by stock exchange bureaucracy.

LTO has fallen behind its European rivals in carving out a market niche and has failed to attract the retail investor which is a mainstay for the world's busiest options markets. The European Options Exchange in Amsterdam traded 25 per cent more options contracts than LTO last year and London's volume has dropped even further so far this year. LTO regularly trades little more than 35,000 contracts a day.

Once LTO is set up as an

independent exchange, it will be in a stronger position to pursue more closely co-operation talks with the London International Financial Futures Exchange. Life would like to merge with LTO, but the two exchanges have so far confined their discussions to the subject of a joint trading floor.

Both exchanges are involved in discussions to set up a derivatives users group in London which would act as a trade organisation to promote the growth of futures and options in the UK. The group has received the tacit support of the Bank of England which sees derivatives playing an important role in London's position as a financial centre.

Changes in the tax treatment of derivatives which were included in the recent UK budget will give a boost to London's derivatives markets.

Gilts fade as post-Budget rally fizzles out

By Andrew Freeman in London and Janet Bush in New York

MONDAY'S rally in UK government bonds proved short-lived as gilt prices fell back yesterday in thin trading. Only the steadiness of sterling stopped the market dropping further.

Analysts described trading as mainly technical, with activity

GOVERNMENT BONDS

ity driven by book positioning on the futures market. Most gilts fell by between 1/8 and 1/4 point.

The benchmark 11 1/2 per cent stock maturing 2003-07 was trading around 1/4 point lower at 98 1/2 to yield 12.01 per cent.

Analysts said the retreat finally proved that the post-Budget rally in gilts had been mainly technical, backed by little fundamental support.

Most investors are concentrating on short-term worries about inflation, where the outlook remains pessimistic.

Divisions within the ruling Conservative Party are threatening to undermine investors' confidence in sterling, particu-

BENCHMARK GOVERNMENT BONDS									
Coupon	Red Date	Price	Change	Yield	Week	Month	Year	Year	Year
UK GILTS	10.000	4/83	91-20	-0.02	12.44	12.48	12.50	12.52	12.54
	10.500	5/88	85-30	-0.02	12.55	12.58	12.60	12.62	12.64
	9.000	10/98	81-02	-0.02	11.48	11.50	11.52	11.54	11.56
US TREASURY	8.250	02/90	99-29	-0.01	8.51	8.52	8.53	8.54	8.55
	8.500	02/90	100-16	-0.02	8.45	8.46	8.47	8.48	8.49
JAPAN	No 119	4/80	9/8	85.0403	-0.11	7.34	7.35	7.36	7.37
	No 2	5/70	30/7	85.0488	-0.13	7.21	7.22	7.23	7.24
GERMANY	7.125	12/98	90.8500	-0.50	8.57	8.58	8.59	8.60	8.61
FRANCE	STAN	02/95	84.7738	-0.23	10.40	10.41	10.42	10.43	10.44
	OAT	03/00	92.0500	-0.40	8.78	8.79	8.80	8.81	8.82
CANADA	9.250	12/98	90.8500	-0.20	10.35	10.36	10.37	10.38	10.39
NETHERLANDS	7.750	01/00	95.3200	-0.10	8.78	8.79	8.80	8.81	8.82
AUSTRALIA	12.000	7/99	92.8015	-0.08	13.40	13.39	13.38	13.37	13.36

London closing. *denotes New York morning session. Yields: Local market standard. Prices: US, UK in 32nds, others in decimal.

Technical Data/ATLAS Price Sources

larity as local authority elections in May draw nearer.

IN West Germany, a bright opening as traders tried to break through recent highs prefaced a sharp turnaround when lack of momentum caused prices to drift back across the board.

The June bond futures contract quickly traded towards its high at 83.87, heading for

was fixed 20 pennings lower at 95.23 to yield 8.48 per cent, against 8.44 per cent on Monday's fixing. In later trading, it was quoted around 95.00, a further 25 pennings lower.

Dealers blamed the lack of follow-through on political uncertainty surrounding the position in Lithuania. However, most analysts said this was had only a marginal effect.

Investors' main concern remained the implications of monetary unification.

IN Japan, trading followed its recent pattern with prices closing at the day's low. Activity continued to dry up ahead of the end of the financial year on Friday, and the subdued performance of the yen against other leading currencies did little to stimulate interest.

The benchmark 11 1/2 per cent issue was yielding 7.36 per cent at the Tokyo close, against its opening level of 7.195 per cent.

US Treasury bonds slipped a little in very quiet trading yesterday morning. There was no economic news to focus on and business was cautious in advance of the sale of \$10bn in

two-year notes. At midsession, short-dated issues were around 1/4 point lower while the Treasury's benchmark stood around 1/4 point down from Monday's close to yield 8.47 per cent.

Overseas financial markets, which have provided much of the focus for Treasuries recently, provided little sense of direction yesterday. The Nikkei 225 stocks index closed slightly lower in Tokyo while the dollar was a touch higher. At the New York midsession, the dollar was quoted at ¥157.70 from an earlier low in the US of ¥156.70.

Market analysts said in advance of the two-year auction that demand should be healthy because of the relatively high yields in this area of the market. The two-year sale is followed today by a sale of \$8bn in four-year notes.

Another background concern for the market was the start of the regular meeting of the Federal Open Market Committee. The consensus is the committee will leave monetary policy unchanged for the time being until some of the economic evidence for March is in.

Concern grows over buy-ins

By Andrew Freeman

A LEADING UK marketmaker yesterday added its voice to concerns that the spike of buy-ins in the long-dated Eurosterling market has damaged secondary market liquidity.

Barclays de Zotte Wedd said the recent trend could result in permanent damage to the UK corporate bond market. It urged London's International Stock Exchange to alter existing rules which allow an issuer to buy up to 49 per cent of a bond without making any statement as to its intentions for the remaining outstanding paper.

Mr Tony Smith, head of ster-

ling bonds at BZW, said: "There has been a clear deterioration over the last 10 days in the liquidity of selected long-dated issues."

Other marketmakers confirmed that no prices are available on several stocks where dealers are unsure of the issuer's intentions.

The recent buy-ins by companies such as Hanson and Trusthouse Forte have occurred as borrowers have taken advantage of a beneficial tax break to exploit the collapse in prices which has allowed many issues to be sold at substantial discounts. Often a small, illiquid rump of an issue is left

in the market. BZW asked the ISE to make it compulsory for a borrower to announce any purchase of its own debt, no matter how small, within 24 hours. It also said issuers should make clearer statements at the outset of any buy-in.

An ISE official said the exchange was aware of the problem and had been discussing possible solutions with a variety of market practitioners.

On Monday, the Republic of Ireland became the latest issuer to buy in its debt when it announced it had repurchased £3m of its £50m Bulldog issue.

Primary market activity remains severely depressed

By Norma Cohen

IT is the absence of activity that has become the most stunning feature of the primary sector of the Eurobond market. Indeed, yesterday, with only one new issue emerging from a London-based syndication team, dealers were left to ponder the changes that have

INTERNATIONAL BONDS

occurred in the underwriting business over the past year.

Uncertainty about interest rates has driven investors to the sidelines, inducing them to hold funds in cash. However, in previous episodes of interest rate uncertainty, underwriters have been willing to offer borrowers the opportunity to raise funds at rates below those which investors were willing to accept. This translated, typically, into losses for the lead manager and for members of the underwriting syndicate.

Now, changes in the under-

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
Hydro-Quebec (a)(b)(c)	500	(a)	100	2000	20/10bp	Commerzbank
ENEL (a)(b)(c)	500m	(a)	100.50	2000	70/40bp	Banco di Roma
SCIC Compagnie Bancaire (a)(b)(c)	60	11 1/2	101.55	1992	1 1/2%	Banque Paribas
SWISS FRANCIS (a)(b)(c)	100	5 1/2	100	2000	n/a	Handelsbank NordWest
YEM (a)(b)(c)	50m	(c)	101 1/2	1998	1 1/2%	Sunam Trust Int.
FINNISH MARGA (a)(b)(c)	100	13	n/a	1995	n/a	Privatbanken

(a) With equity warrants. (b) Floating rate notes. (c) Final terms. (a) Coupon pays 6-month LIBOR flat. Non-callable. (b) Each \$100 pays \$100 plus 10% of coupon. (c) Coupon pays 6-month LIBOR flat. Non-callable. (d) Coupon pays 6-month LIBOR flat. Non-callable. (e) Coupon pays 6-month LIBOR flat. Non-callable. (f) Coupon pays 6-month LIBOR flat. Non-callable. (g) Coupon pays 6-month LIBOR flat. Non-callable. (h) Coupon pays 6-month LIBOR flat. Non-callable. (i) Coupon pays 6-month LIBOR flat. Non-callable. (j) Coupon pays 6-month LIBOR flat. Non-callable. (k) Coupon pays 6-month LIBOR flat. Non-callable. (l) Coupon pays 6-month LIBOR flat. Non-callable. (m) Coupon pays 6-month LIBOR flat. Non-callable. (n) Coupon pays 6-month LIBOR flat. Non-callable. (o) Coupon pays 6-month LIBOR flat. Non-callable. (p) Coupon pays 6-month LIBOR flat. Non-callable. (q) Coupon pays 6-month LIBOR flat. Non-callable. (r) Coupon pays 6-month LIBOR flat. Non-callable. (s) Coupon pays 6-month LIBOR flat. 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UK COMPANY NEWS

Caution on prospects for current year leaves shares lower
P and O steams ahead to £376.7m

By Nikki Tait

PENINSULAR and Oriental Steam Navigation, the shipping, construction and services group which is embroiled in a £441m hostile bid for Lining Properties, yesterday unveiled pre-tax profits of £376.7m in 1989 but sounded a note of caution on prospects for the present year.

Sir Jeffrey Sterling, chairman, said that he expected the out-turn for the present trading period to be satisfactory, but warned that the economic climate in a number of countries in which the group operated, including the UK, US, and Australia, was clearly more uncertain than it was a year ago.

"Unless you're a bloody idiot, you have to be cautious,"

he said.

The profits compare with £316.6m. However, analysts noted that the 1989 figure benefited from the £21.9m profit taken on the Taylor-Woodrow stake, which was taken above the line. The 1988 figure was depressed by the £22m cost of the securities dispute.

Coupled with the caution expressed for 1990, this led to some down-grading of current year forecasts and the shares fell 5p to 382p.

Operating profit advanced from £400m to £490.8m, on turnover of £4,580m (£3,350m). The largest division, house-building, construction and development, was static at £155.6m (£157.1m), but the figure included the profit taken

on the building in Taylor-Woodrow.

The company declined to break out separate figures for its housebuilding business, but described the current situation in the area as bleak adding that the downturn had been more severe than had been expected.

The service industries division advanced from £280.1m to £1,079.9m, although about half the growth came from acquisitions. Passenger shipping showed a strong improvement to £108.6m from 1988's disrupted £50.4m. This business was going well, the company said, with early bookings looking very encouraging.

There was a profit fall in container and bulk shipping,

from £54.1m to £33m. P and O said that freight rates in container shipping stayed under pressure, and the results from P&O Containers were well down and inadequate. Bulk shipping, however, continued to improve.

Investment property contributed £54.7m (£49.3m). There was a net interest charge of £74.6m (£49.9m). Year-end gearing was 65 per cent. Below the line, property sale profits (after tax) added £2.1m (£4.8m).

Earnings per share, following an unchanged 29 per cent tax charge, were 22.3p (23.8p). The recommended final dividend is 17p, making 29.5p (25.5p) for the year.

See Lex

BAT sells US retail chain for \$92m

Nikki Tait

THE DISPOSAL of BAT Industries' US retail subsidiaries, part of the tobacco-based conglomerate's defensive restructuring plan - got underway yesterday with the sale of the Breuners retail chain to Prism Capital Corporation, of the US, for \$92.5m cash (£70m).

The disposal of the Breuners retail business is taking place separately, and negotiations on this are understood to be well-advanced. BAT does not give a sale split between motor accidents and large individual claims in the commercial motor business, tempered by low levels of other claims.

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Prudential 9% ahead after year of 'mixed fortunes'

By Vanessa Houlder

PRUDENTIAL Corporation, the UK's largest insurer, increased its 1989 pre-tax profits by 9.3 per cent from £352.8m to £385.5m, after a year it described as "one of mixed fortunes".

A significant loss in its new UK estate agency business and a "disappointing" performance from the general insurance business partially offset a surge in profits from its long-term business, which is mainly pensions and savings-related products.

Long-term business profits increased 79 per cent to £358.9m, although £56m of this improvement resulted from an increase in nearly 10 per cent, in the proportion of its life assurance surplus that goes to shareholders funds. This rise, as with an increase last year, reflects the view that resources should be reallocated to shareholders' funds because shareholders have been financing recent developments that will benefit policyholders.

In addition, long-term profits benefited from higher levels of bonus declared on with-profits policies.

The general insurance business made a trading loss of £26.6m compared with a 1988 profit of £27.4m. This reflected increased subsidence claims, following the hot summer, higher court awards from motor accidents and large individual claims in the commercial motor business, tempered by low levels of other claims.

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Sir Brian Corby, chief executive of Prudential Corporation

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Squeeze on juice margins slices Clifford by 38%

By David Churchill

CLIFFORD FOODS, which produces own label dairy, fruit, and other grocery products for supermarket chains, yesterday announced a 38 per cent fall to £3.8m in pre-tax profits for 1989. Turnover increased by 8 per cent to £136.1m.

The profits setback was largely due to a poor first half when margins for fruit juices and milk were put under pressure by retail competition. Pre-tax profits in the second half of the financial year were £2.45m, compared to £1.35m in the first half.

Mr John Clifford, chairman, yesterday said that "fruit juice margins are recovering and volumes continue to grow."

A new £2m citrus juice spreading plant has come on stream earlier than expected.

"Since October we have converted over 80 doorstep rounds to franchising with a beneficial effect on milk volumes," he added.

Clifford's said that its Marton Foods subsidiary "performed very well". Roy's Quality Foods and Danby's Foods also "improved significantly in the second half of the year."

Earnings per share dipped to 14.9p (24.3p). A final dividend of 6.4p is proposed, for a share total of 19p.

The company said that 1990 trading "has started well and results for the first two months are well ahead of 1989."

Midsummer Leisure shares up on bid talks

By Andrew Bolger

MIDSUMMER LEISURE, the aquatic, pub, disco and snooker club operator and slot machine company, said last night its directors were involved in talks which might lead to a bid being made for the company.

Midsummer shares closed up 7p at 128p, giving the group a market capitalisation of £73m. In the last 12 months the shares have fluctuated between 25p and 124p.

Mr Paul Reese, deputy chairman, said that although Midsummer has a strong cash flow, it was 100 per cent geared following five acquisitions in the autumn.

In the year to end-September, Midsummer increased

pre-tax profits by 53 per cent to £3.82m (£2.43m) on sales up from £40m to £61m.

Midsummer also reported an extraordinary debit of £2.9m, £2m of which was a provision against a fall in the value of its stake in Leisure Investments, which has since been taken over by Bear Brand.

Midsummer pulled out of merger talks with Leisure Investments in August after the group warned that its profits would be below expectations.

In November Midsummer announced the sale of Chequers, its Midlands-based shopfitter, for £5.5m to Dean & Deane.

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New DTI merger control procedures

MERGER control procedures, allowing companies to voluntarily "pre-notify" the Office of Fair Trading of their intention to link up, will come into force on April 1.

Under the new system, companies planning to merge can seek guidance from the OFT on whether the merger will be

allowed. However, they will now need to do this via a standard form.

In general, if the proposed merger is not referred to the MMC within the consideration period - initially 30 days, but capable of being extended by 10 days and then a further 15 days - the parties will be immune from reference.

There are, however, some limited exceptions. The new system is designed to provide a quicker pre-notification procedure. Pre-notification already takes place on "informal" basis, but the more tightly-defined "consideration" period is a new innovation.

The group's main problem continued to be Stahlwood, its US subsidiary, where £245,000 of exceptional items were written off and re-location costs

accounted for another £48,000. But interest charges soared from £248,000 to £260,000 and the Dylan subsidiary's operating profit was only 40 per cent of that achieved in 1988.

In spite of the loss of 5p per share (earnings 7.9p), the dividend is maintained at 3.5p via a final of 2.5p.

Group sales in the first two months of the current year were higher than in the corresponding period of 1988.

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NOTICE OF REDEMPTION

HMC MORTGAGE NOTES 3 PLC

Class A Mortgage Backed Floating Rate Notes
Due July 2015

NOTICE IS HEREBY GIVEN to the holders of the Class A Mortgage Backed Floating Rate Notes Due July 2015 (the "Class A Notes") of HMC Mortgage Notes 3 PLC (the "Issuer") that, pursuant to the Trust Deed dated 12th July 1988 (the "Trust Deed"), between the Issuer and The Law Debenture Trust Corporation p.l.c. as Trustee, and the Agency Agreement dated 12th July 1988 (the "Agency Agreement"), between the Issuer and Morgan Guaranty Trust Company of New York (the "Principal Paying Agent") and others, the Issuer has determined that in accordance with the Redemption provisions set out in the Terms and Conditions of the Class A Notes, Available Funds as defined in the Terms and Conditions in the amount of \$38,500,000 will be utilized on 12th April, 1990 (the "Redemption Date") to redeem a like amount of Class A Notes. The Class A Notes selected by drawing in lots of £100,000 for redemption on the Redemption Date at a redemption price (the "Redemption Price") equal to their principal amount, together with accrued interest thereon are as follows:

OUTSTANDING CLASS A NOTES OF £100,000 EACH BEARING THE DISTINCTIVE SERIAL NUMBERS SET OUT BELOW

Serial Number	Serial Number	Serial Number	Serial Number	Serial Number	Serial Number	Serial Number	Serial Number	Serial Number	Serial Number
43 147 224 330 402 490 601 708 820 897 981 1050 1160 1223 1322	44 148 225 331 403 491 602 709 821 898 982 1051 1161 1224 1323	45 149 226 332 404 492 603 710 822 899 983 1052 1162 1225 1324	46 150 227 333 405 493 604 711 823 900 984 1053 1163 1226 1325	47 151 228 334 406 494 605 712 824 901 985 1054 1164 1227 1326	48 152 229 335 407 495 606 713 825 902 986 1055 1165 1228 1327	49 153 230 336 408 496 607 714 826 903 987 1056 1166 1229 1328	50 154 231 337 409 497 608 715 827 904 988 1057 1167 1230 1329	51 155 232 338 410 498 609 716 828 905 989 1058 1168 1231 1330	52 156 233 339 411 499 610 717 829 906 990 1059 1169 1232 1331

The Class A Notes may be surrendered for redemption at the specified office of any of the Paying Agents, which are as follows:

Morgan Guaranty Trust Company of New York
PO Box 161
1 Angel Court
London EC2R 7AE

Morgan Guaranty Trust Company of New York
Avenue des Arts 35
B-1040 Brussels, Belgium

Morgan Guaranty Trust Company of New York
30 West Broadway
New York, New York 10015
Attn: Corporate Trust Operations

In respect of Bearer Class A Notes, the Redemption Price will be paid upon presentation and surrender, on or after the Redemption Date, of such Notes together with all unremitted coupons and talons appertaining thereto. Such payment will be made (i) in sterling at the specified office of the Paying Agent in London or (ii) at any specified office of any Paying Agent listed above by sterling cheque drawn on, or at the option of the holder by transfer to a sterling account maintained by the payee with a Bank Clearing branch of a bank in London. On or after the Redemption Date interest shall cease to accrue on the Class A Notes which are the subject of this Notice of Redemption.

HMC MORTGAGE NOTES 3 PLC

By: MORGAN GUARANTY TRUST COMPANY
OF NEW YORK, as Principal Paying Agent

Dated: March 28, 1990

NOTICE

Withholding of 20% of gross redemption proceeds of any payment made within the United States is required by the Interest and Dividend Tax Compliance Act of 1983 unless the paying agency has the correct taxpayer identification number (social security or employer identification number) or exemption certificate of the Payee. Please furnish a properly completed Form W-9 or exemption certificate or equivalent if presenting your Class A Notes to the paying agency's New York Office.

UK COMPANY NEWS

Shares slip 10p as £65m profits fail to meet City expectations

Restructured Bunzl falls 30%

By Jane Fuller

BUNZL, which has been shedding some of its variously acquired businesses to concentrate on paper, building materials, plastics and cigarette filters, saw pre-tax profits fall 30 per cent in 1989.

The drop, from £83.3m to £55.4m, came on sales down 5 per cent to £1.64bn (£1.75bn). The market responded to a profit figure £10m to £15m below expectations by knocking 10p off the share price, which closed at 96p.

As none of the £150m expected from the latest series of company sales, including electrical products distribution and graphic arts supplies, had come in by the end of December, gearing hit 106 per cent and interest costs soared to £15.4m (£8.7m).

Of the continuing businesses, paper distribution contributed more than £1bn (£960m) to sales and £46.4m to trading profit. But the latter had slipped back by £1.6m because of a 35m cut in the contribution from job lot trading. This involves converting waste quality paper from the mills into products for printing, but over-supply eroded prices.

Building materials, a US distribution business, also saw trading profit fall back, to \$4.3m (\$4.6m), in spite of a 55 per cent increase in sales to \$195.4m (\$125.8m) following acquisitions.

Mr James White, chairman and chief executive, explained that a new management team had been told to do all the necessary "tidying up" in 1989.

"Previously the business was run by people from the lumber industry. The people brought in are from a financial and

FIVE YEARS IN THE LIFE OF BUNZL

1985 February: 1-for-4 rights issue to raise \$50m.
May: Failed £117m bid for Brammer, bearings distribution company.
October: \$20m paid for Stewart Plastics.
December: Pre-tax profits of \$43m on sales of £280m.

1986 April: \$27m paid for Robert Moss, plastic injection mouldings group.
September: 1-for-3 rights issue to raise £15m.
Since the Feb 85 rights issue, £220m spent on 24 companies.
Result: pre-tax profits of \$65m.

1987 May: \$24m paid for Collins Foodservice, California.
October: \$28m paid for CESCO, Chicago electrical equipment group.
December: Pre-tax profits of \$80m.
Disposals in 1987 raised \$20m.
From the beginning of 1986 to April 1988 a total of £240m spent on 55 purchases.

1988 July: York Trailers sold to management for £24m.
December: Paper trading subsidiary sold to management for £22m.
Disposals in 1988 raised \$20m.
Result: pre-tax profits of \$50m.

1989 May: Sale of loss-making transport business to management for £28m.
September: Announcement of a string of disposals expected to raise £150m.
September/October: Bought Webster Plastics and Benco Building Products, both in the US, for a total of £15m.
Result: pre-tax profits of \$65m on sales of £1.6bn.

marketing background, and they are more attuned to the customer. They have reduced manning by merging operations, reorganising the sales force and using computers," said Mr White.

On the manufacturing side, the group's traditional cigarette filter business was affected by the upheaval in China, where he said 280m men smoke at least a packet a day - only 25 per cent of it filtered. This division contributed £16.3m to trading profits on sales of £159.9m.

Plastics, which pitched in a £10.3m profit, saw the gain made by the industrial side more than offset by a slump in consumer products. Mr White said the closure of two factories had led to a loss of market

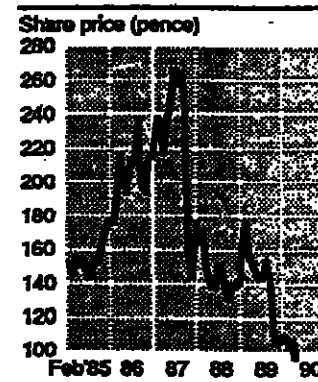
share in an already difficult UK environment. Other reasons given for the profit reversal included reductions of about £7m each in the contributions from discontinued activities and property.

"More exacting accounting standards with regard to Bunzl" saw off another £3.8m and currency trading made a similar loss because sterling fell against the dollar "when we thought it would strengthen."

Earnings per share, after a higher tax rate, fell to 9.2p (10p). A final dividend of 3.5p makes a total of 5.5p (5.7p).

COMMENT

Mr White's line is that 1989 was the year the stables were



Singer & Friedlander rises 19% to £22m

By David Lascelles, Banking Editor

SINGER & Friedlander, the property and merchant banking group, yesterday extended its long history of rising profits with a record result for 1989.

However, Mr Tony Solomon, chairman, uttered a cautious note about the prospects when he said that the new year had begun "quietly". The group earned £22.02m before tax, a rise of 19 per cent over the £18.5m returned for 1988. Earnings per share were up 17 per cent to 6.54p.

The bulk of the profit came from banking which earned £12.1m, up from £12m. Most sections of the bank, including corporate finance, lending and asset management, performed well. The exception was the asset trading division which specialises in Third World loans. Trading in this market has slumped and Mr John Hodson, chief executive, said it was unlikely to improve quickly.

However, Singer is now diversifying into counter-trading and barter in order to develop a new stream of earnings.

Earnings from property fell from £2.5m to just over £2m, reflecting the sale of the Centrovital Estate property subsidiary during 1989. However, earnings from interest and investment income rose sharply to £3.6m to £3.9m thanks to the re-investment of the proceeds from the Centrovital sale. Singer still has £30m of it available but has earmarked the money to redeem loan stock unless more attractive investment opportunities appear.

Singer now has a policy of investing in attractive business situations. It has bought 24 per cent of Takara, a nursing home company, and 19 per cent of Ferrari, a computer maintenance operation. It also has 19 per cent of Apicard, the computer manufacturer, where it anticipates that new management will bring about major improvements.

Mr Solomon said that although it was too early to forecast results for 1990 as a whole, "business in the current year has opened quietly".

The dividend is being raised by 25 per cent to 2.5p via a final of 1.5p.

COMMENT

The overall result consists of an 8 per cent rise in profits from the core banking business which is unexciting by the standards of the other merchant banks which have reported in the last few weeks. But this is overlaid by a near doubling in interest and investment income demonstrating the usefulness of Singer's cash pile in these times of high interest rates. This suggests that even if business does turn out to be weaker this year, the impact on the bottom line should be limited. Certainly, the steadiness of Singer's performance over the years (this is the 16th consecutive year of internally generated profit growth) points to the management's ability to handle the thin as well as the thick. But the shares have been conspicuous absentees from the recent run-up in the merchant banking sector reflecting market uncertainty about the group's industrial investment policy as well as the intentions of its major shareholders. The shares rose 2p to 60p on the results, which were much as expected, leaving them yielding 5.5 per cent gross.

Trafford Park down

Profits of Trafford Park Estates, a property investor and developer, declined slightly from £1.74m to £1.62m for the six months to end-December.

Turnover totalled \$4.97m compared with \$3.48m.

Earnings dipped to 1.61p (1.91p) after tax of \$588,000 (\$661,000) but the interim dividend is a same-again 0.85p.

Directors said the current period was one of consolidation.

London & Metro rises 12% in spite of difficult conditions

By Paul Cheeseright, Property Correspondent

LONDON & Metropolitan, the property development group, lifted 1989 pre-tax profits last year by 12 per cent and earnings per share by 4 per cent in spite of the spread of difficult conditions in the commercial property market.

This is a "slower rate of growth than L&M has achieved in recent years. Lower returns and a greater availability of property at a time when business expansion has been tailing off and financial changes have been increasing have hit all property companies.

Profits were £15.58m, compared with £13.87m. Turnover was \$38.9m (\$28.1m). After tax of £3.5m (£2.74m) earnings per share rose from 20.5p to 21.32p.

The proposed final dividend

is 4.25p, bringing payments for the year to £5.5p, against £3.2p.

However, the rate of decline in 1989 was quite gentle. This was largely due to mild weather which reduced claim frequency, particularly on the property side and also to some degree in motor insurance.

Mr Ray Trean, general manager, said the pace of property decline was accelerating and spreading from the commercial accounts to per-

sonal line accounts. The life division faced difficult trading conditions, with a considerable expense in complying with Financial Services Act regulations.

In liability business, Cornhill suffered an insurance loss, only partly mitigated by high levels of investment income. Mr Trean said rises in the cost of settlements and court awards "are not being matched by hardening rates for insurance protection".

At the same time it had sought to escape from the traditional cycle of the British market by starting development in continental Europe. Development of a self-contained leisure complex in Provence has started, Mr David Lewis, the chief executive, said he hoped construction of other projects would start within the next six months.

On the financial side, the company had limited the amount of interest it was prepared to capitalise and had written off £1.2m of financial charges as an exceptional item. Net interest receivable improved from £2.9m to £3.43m.

Cornhill advances by 15%

By Andrew Baxter

CORNHILL INSURANCE, a UK subsidiary of Allianz of West Germany, Europe's largest insurable, raised the rate of pre-tax profits by 15 per cent last year from £25.8m to £29.1m.

Premium income from general business rose 14 per cent to £461.8m. But life premiums fell from £125.5m to £76.7m due to a fall in single premium business.

Cornhill said 1989 proved to be the peak of the current UK general business profit cycle

with high investment income resulting from strong cash flow and high interest rates.

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01-409 2666

BANQUE NATIONALE DE PARIS USD 100 MILLIONS 9 1/2% SERIAL A NOTES DUE 1990 WARRANTS TO SUBSCRIBE USD 100 MILLIONS 9 1/2% SERIAL B NOTES DUE 1990

NOTICE OF PARTIAL REDEMPTION

Notice is hereby given that pursuant to the Fiscal Agency Agreement dated December 10th, 1988 between BNP PARIBAS and BNP (LUXEMBOURG) S.A., the following Notes Series A in the principal amount of USD 40,000,000, have been drawn by lot and are due for redemption at 100% plus accrued interest at the office of the Paying Agents on April 1st, 1990.

11222 to 11419 included

The Fiscal Agent
BANQUE NATIONALE DE PARIS (LUXEMBOURG) S.A.

Abbey National Building Society

GB £120,000,000 Subordinated Floating Rate Notes due 1995

Notice is hereby given that for the Interest Period from 27th March 1990 to 27th June, 1990, the Note will carry a Rate of Interest of 16.15% per annum. The amount of interest payable on 27th June 1990 will be GB £4,884,822.00.

Agent Bank:
Dai-ichi Kangyo Bank (Luxembourg) S.A.

This advertisement is issued in compliance with the requirements of the Council of The International Stock Exchange of the United Kingdom and the Republic of Ireland and does not constitute an offer or an invitation to subscribe for a purchase of any securities.

HEPWORTH CAPITAL FINANCE LIMITED

(Incorporated in Jersey with limited liability, Registered No. 46814)

£100,000,000

11.25 per cent. Convertible Capital Bonds due 2005

guaranteed on a subordinated basis by,

Hepworth PLC

(Incorporated in England with limited liability, Registered No. 965093)

and convertible into

Exchangeable Redeemable Preference Shares in the Issuer, which will be guaranteed on a subordinated basis by, and exchangeable for Ordinary Shares in, the Guarantor

J. Henry Schroder Wagg & Co. Limited has underwritten the above transaction.

Application has been made to the Council of The Stock Exchange for the Capital Bonds, the Preference Shares and the Ordinary Shares, to be issued in exchange for the Preference Shares, to be admitted to the Official List. Each Capital Bond bears interest from 24th April, 1990 at the rate of 11.25 per cent. per annum payable in arrears in equal semi-annual instalments on 30th June and 31st December.

The Capital Bonds will be convertible into fully paid Ordinary Shares in the Issuer. The Preference Shares will be convertible for fully paid Ordinary Shares in the Guarantor.

Listing particulars relating to the Capital Bonds and Preference Shares and the Guarantor will be circulated in the Extel Statistical Service from 24th April, 1990 and copies may be obtained during normal business hours on any weekday (excluding Saturdays) up to and including 11th April, 1990 from:

Hepworth PLC
Tapton Park Road, Sheffield S10 3FS

J. Henry Schroder Wagg & Co. Limited
120 Cheapside, London EC2V 6DS

James Capel & Co. Limited
6 Bevis Marks, London EC3A 7JQ

For collection only from the Company Announcements Office of The Stock Exchange up to and including 30th March, 1990.

28th March, 1990

UK COMPANY NEWS

International operations offset adverse effects of the collapse in the UK and US housebuilding markets, reports Andrew Taylor

Steetley improves 27% to £111m Marley declines by a fifth to £56.2m

STEETLEY'S investments in France and Spain paid off last year as the building materials group increased pre-tax profits by 27 per cent to £110.8m in spite of a fall in brick profits due to the collapse of the UK and US housing markets.

International profits rose by more than half from £30.4m to £47.7m after taking into account a sharp fall in US profits from £4.2m to £2.7m.

Profits from France, where Steetley is the country's largest aggregate producer, rose from £14.7m to £24.1m. The group last week announced its second large acquisition of a French aggregate company in the past six months, agreeing to pay FF765m (£92.4m) for sand, gravel, limestone and concrete businesses owned by Mr Vasco Gobita in the Ile de France region around Paris.

Last September it paid FF740m for a 75 per cent stake in Callet, a family-owned aggregate business in Provence.

Following these moves, Steetley has about 10 per cent of the French market. Cement Francaise is the next largest producer with between 7 per cent to 7.5 per cent of the market.

Steetley has also invested heavily in Spain where it is the largest aggregate and ready-mixed concrete producer in the Madrid region - one of the fastest growing construction markets in Europe.

Profits from other European countries, almost all emanating from Spain, more than doubled from £3.5m to £8.0m.

Canadian profits also rose sharply from £7.5m to £12.8m, reflecting about a 4 per cent volume growth and a big

improvement in costs according to Mr Richard Miles, group managing director.

He said overseas earnings now accounted for 41 per cent of group operating profits. The rise in UK profits was more modest, increasing by only 9 per cent from £82.0m to £89.7m.

Profit increases from higher aggregate sales were offset by a sharp fall in brick sales due to the decline in UK housebuilding, said Mr Miles.

Turnover rose by a quarter from £244.9m to £304.6m. Earnings per share expanded 15 per cent from 40.1p to 45.9p, and the final dividend goes up to 9p making a 20 per cent increase for the year from 11.5p to 13.7p.

● **COMMENT**
France last year accounted for just over a fifth of Steetley's

operating profits. This compares with less than 5 per cent in 1985. As a result of its endeavours in France and in Spain Steetley has been able to shrug off the sharp downturn in the UK housing market. This seems likely to continue until the end of this year - depending upon UK interest-rate movements. The bias in favour of developments north of Watford compared with an overbuilt south east England should also work in the group's favour although it will be hard pressed to match last year's UK performance. Steetley's new French acquisition should, however, make a positive contribution to earnings this year. The group should be capable of making £115m putting it on a prospective p/e of about 8.5 which still looks cheap given the strength of its continental operations.

THE ELEVATOR of demand for building materials in Britain has plummeted six floors and stayed there following the collapse of the UK housing market, according to Mr George Russell, chief executive of Marley, the building materials and automotive components group.

Pre-tax profits last year fell by a fifth from £70.2m to £58.3m. This came in spite of a 21 per cent increase from £19.8m to £23.9m in international profits.

UK profits, by comparison, fell by almost a quarter from £54.4m to £44.8m. Mr Russell blamed a sharp fall in US housebuilding and residential repair and maintenance work triggered by high interest rates.

Group turnover increased from £206.3m to £238.4m. Earnings per share fell by 12 per cent from 17.1p to 15p after tax reduced from £22.9m to £15.3m. A same-again final dividend of 4.25p makes a maintained total of 6.35p for the year.

Mr Russell said the company's fortunes, in spite of the recent move into car component manufacture in the UK, were still allied to housing demand in the UK, US and continental Europe.

Profits from concrete blocks had fallen from £18m to £11.8m. Brick profits in the UK and US had fallen from £12.8m to £8.7m.



George Russell: demand for building materials has plummeted

£1.4m increase in property profits from £3.6m to £5.0m. The big disappointment was a fall in profits from £4m to £1.9m from the new automotive division.

● **COMMENT**

Unfavourable comparisons by analysts were yesterday being drawn between Marley and Steetley which chose to announce year end results on the same day. Marley, it was pointed out, was roughly the same size in 1985 as Steetley which yesterday announced pre-tax profits almost twice those of Marley. In the intervening years Steetley has bought shrewdly in growth markets in France and Spain. Marley, meanwhile, has acquired Nottingham Brick in the UK. General Shale in the US and moved into the automotive components business - all of which performed poorly last year and have still to show their true potential. To be fair, Marley has worked very hard to improve its balance sheet and costs are tightly under control. It is arguable that the company in previous years might not have survived the present recession in UK housebuilding. A prospective p/e of between 11 and 12 and profits of £48m, however, does not leave much room for immediate improvement on a share price of 128½p - bid speculation notwithstanding.

Electrocomponents issues second writ against STC

By Charles Leadbeater

THE LEGAL row which started last year between Electrocomponents and STC, Britain's leading electronic component distributors, took a further twist yesterday as Electrocomponents issued a second writ against its competitor.

Electrocomponents, which last year started legal action against STC for infringement of copyright on a parts catalogue, yesterday issued a writ against the company alleging it had misled customers over the

origin of the goods they were receiving.

RS Components, Electrocomponents' main subsidiary, alleged that STC's components distribution division was passing off goods as if they were RS's. Customers who had ordered RS goods from the STC division had received different goods, Electrocomponents said.

RS also claims that STC's catalogue misrepresents which companies are the suppliers of the goods supplied by Electro-

components.

Last July RS issued a writ claiming that STC had infringed copyright by publishing a parts catalogue which included several thousand unique parts numbers for RS components.

STC said it would strenuously defend the case, and

denied any liability. It said RS Components' claims were insignificant and immaterial.

Mr Norman King, Electrocomponents' marketing director, said: "If we thought the courts involved in this case were not substantial we would not have taken this step."

NEWS DIGEST

Lopex in 27% rise to £8.3m

Lopex, the advertising and marketing services group, increased its pre-tax profit by 27 per cent from £6.52m to £8.28m in the year to December 31 on turnover which gained 22 per cent to £188.7m.

Mr John Castle, chairman and chief executive, said he was confident that 1990 would be another year of progress.

After tax of £3.2m (£2.57m) and minorities of £544,000 (£600,000) earnings per share emerged at 22.45p (20.41p). There were extraordinary losses of £511,000 (£166,000). The dividend rises from 6p to 6.5p with a proposed 4p final.

Advance to £1.8m at Servomex

Servomex, which designs, manufactures and markets instrumentation for the analysis of gases, announced pre-tax profits up from £1.62m to £1.8m for 1989. Turnover expanded to £14.51m against £12.22m.

Directors said that as a result of a good last quarter order performance, the company entered 1990 with a

strong order book.

After tax of £672,000 (£584,000) earnings per share emerged at 12.1p (11.2p). The company is proposing a dividend of 3.5p.

Baillie Gifford Japan assets slip

For the half year ended February 28 diluted asset value per share of The Baillie Gifford Japan Trust stood at 691.9p compared with 711.3p six months earlier.

Net loss for the half year emerged at £28,944, a sharp rise on the deficit of £81,500 incurred for the same period of the 1988-89 year. Loss per share amounted to 2.14p (0.6p).

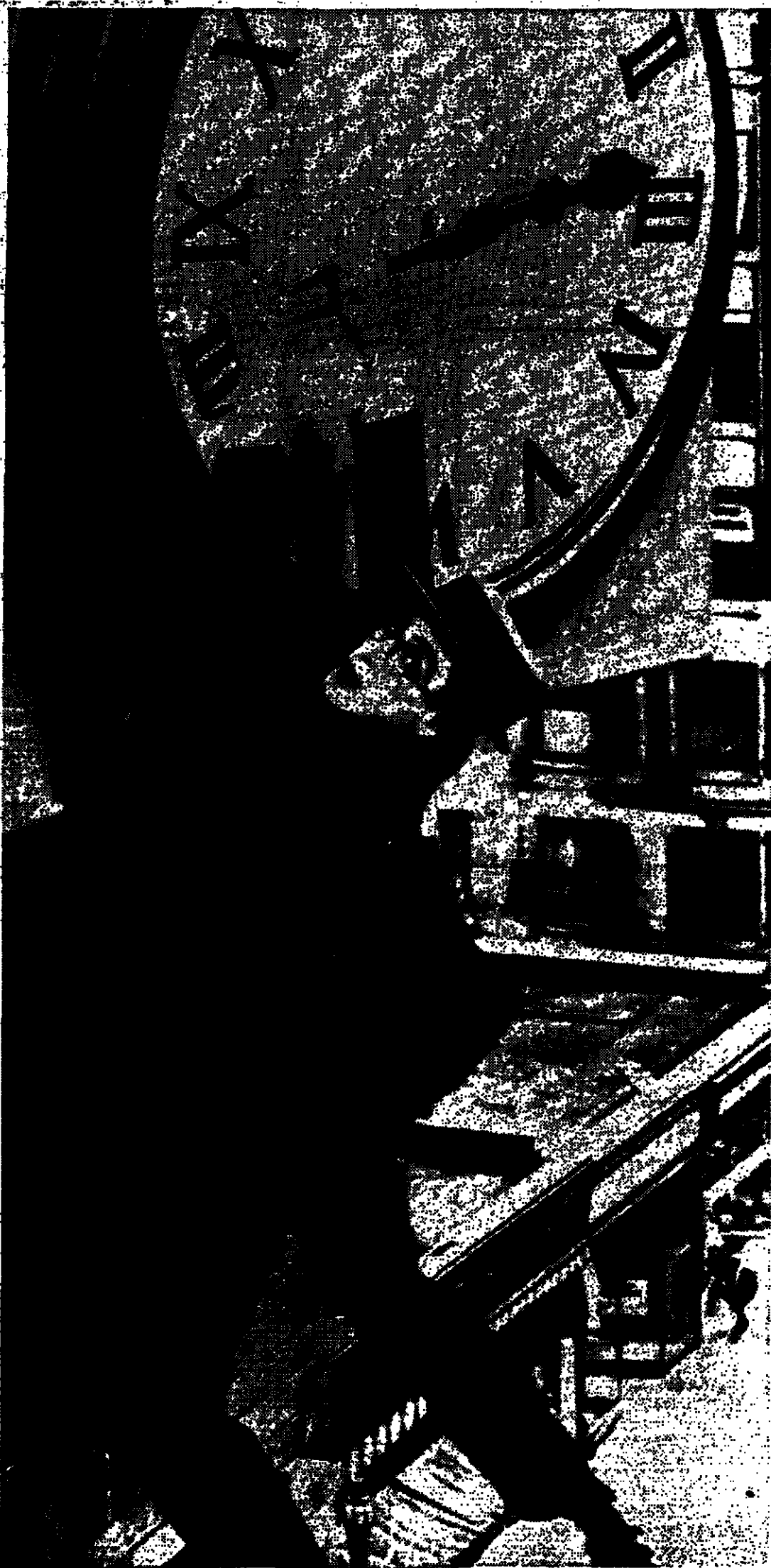
Allied Partnership makes further gains

Allied Partnership Group, involved in plant hire, food distribution and warehousing, reported a 16 per cent improvement to a record £8.25m in pre-tax profits for 1989.

Last time there was an exceptional £4.4m profit from the sale of a property development site. Turnover rose to £111.42m (£81.38m).

Earnings were 6.29p (5.09p before exceptional item). The dividend is 2p (1.75p) with a proposed final of 1p.

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RESULTS 1989

	1989 £m	1988 £m
Profit before tax from:		
<i>Insurance business</i>		
Life and pensions	358.9	200.4
General Insurance	(8.6)	87.4
<i>Non-insurance business</i>		
Investment management (UK)	16.0	8.0
Unit Trusts and PEPs (UK)	1.7	(3.9)
Estate Agency	(48.9)	17.2
Shareholders' other income	66.4	43.5
Total profit before tax	385.5	352.6
Tax and minority interests	(110.6)	(108.1)
Profit attributable to shareholders	274.9	244.5
Earnings per share	14.9p	13.3p
Dividend per share	9.2p	8.0p

The results reproduced here for the year 1989 have not yet been delivered to the Registrar of Companies, nor have the auditors reported on them. The dividend will be paid on 30 May 1990 to shareholders on the register on 12 April 1990.

Copies of the Annual Report are available after 3 May 1990 from The Registrar's Department, Prudential Corporation plc, 1 Stephen Street, London W1P 2AP.

* Long-term new business premiums up by 32 per cent to £3.0 billion. Total revenue premiums increased by 26 per cent to £4.8 billion.

* Long-term profits up by 79 per cent reflecting substantially higher bonuses to policyholders and an increase in the share of the distribution to shareholder funds.

* General business results deteriorated. Significant strengthening of general business reserves made following the catastrophic events of 1988 and 1989.

* Continued steady progress in earnings, with an increase of 12 per cent, and dividends increased by 15 per cent.



PRUDENTIAL CORPORATION

Swiss Bank Corporation Schweizerischer Bankverein Société de Banque Suisse Società di Banca Svizzera

Notice is hereby given that the

118th Annual General Meeting of the company will be held in the Festival Hall of the Swiss Industries Fair (entrance "Messplatz") in Basel (Switzerland) on Tuesday, 10th April, 1990 at 3 p.m. to receive and adopt the Reports of the Directors and Auditors and the Annual Accounts; to elect or re-elect Directors and Auditors; to pass resolutions relating to the allocation of profits for the financial year; to declare a dividend and set the date of its payment. Holders of bearer shares who wish to attend the Meeting can obtain admission cards from the bank's London Office at Swiss Bank House, 1 High Timber Street EC4V 3SB or from any other branch of the Corporation against deposit of the share certificates (or of an approved banker's Certificate of Custody) not later than Thursday, 29th April, 1990. The shares must remain so deposited until after the General Meeting. Holders of registered shares (as of 22nd February, 1990) will have their invitation and admission card sent to them directly. No new entries will be made on the Share Register between 22nd February, and 10th April, 1990. The Balance Sheet and Profit and Loss Account for the year ended 31st December, 1989 together with the Report of the Auditors, the Annual Report and the Directors' proposals regarding the allocation of Profit are available to Shareholders at all of the bank's Swiss branches as of 20th March, 1990.

Basle, 27th February, 1990
For the Board of Directors
(sig.) Dr. Franz Gähler - Chairman

ARROW VENTURES N.V.

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS TO BE HELD ON APRIL 17, 1990

Notice is hereby given that the Annual General Meeting of Shareholders of our company will be held at our offices at 6 John B. Goudswaag, Curacao, Netherlands Antilles on April 17, 1990 at four o'clock in the afternoon, for the following purposes:

- To receive the reports of the Managing Director on the progress of business of the Company during the fiscal year ended September 30, 1989.
- To approve and adopt the audited balance sheet and profit and loss account of the Company for the fiscal year ended September 30, 1989.
- To re-elect CARIBBEAN MANAGEMENT COMPANY N.V. as Managing Director of the Company for the period expiring on the following Annual General Meeting of Shareholders.
- To re-elect the members of the Board of Supervisory Directors of the Company for the period expiring on the following Annual General Meeting of Shareholders.
- To approve the remuneration of the Managing Director and the members of the Board of Supervisory Directors for the fiscal year ended September 30, 1989.
- To ratify, confirm and approve the acts of the Managing Director and the members of the Board of Supervisory Directors during the fiscal year ended September 30, 1989.
- To re-appoint MESSRS. COOPERS & LYBRAND, Curacao as the independent auditors of the Company for the ensuing year.
- To transact any other business which may lawfully arise at the meeting.

Copies of the audited balance sheet and profit and loss account may be obtained by all shareholders from the offices of the company as well as from the offices of its sponsoring banks.

Shareholders shall be entitled to vote at the meeting in person or by proxy.

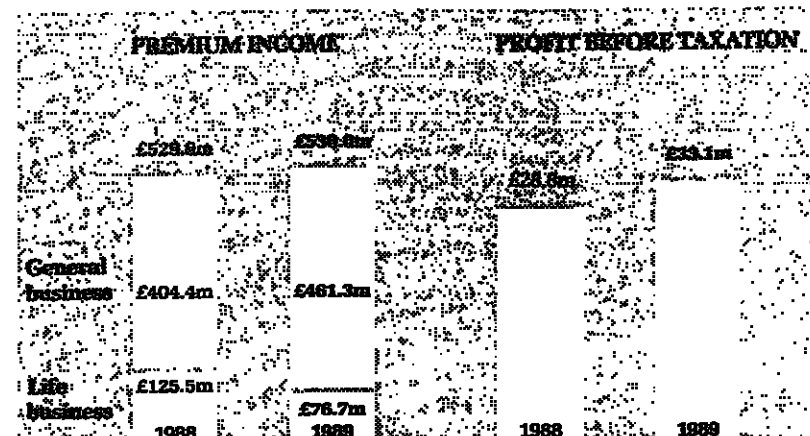
Arrow Ventures N.V.
By: Caribbean Management Company N.V.

Curacao, 27 March 1990

CORNHILL INSURANCE ANOTHER YEAR OF PROGRESS

Cornhill Insurance has continued to make good progress in both premium and profit with particularly strong performances in the U.K. and U.S.A.

Total profit before tax in 1989 was £33.1m, an increase of 15% over 1988.



	1988	£m	1989	£m
PREMIUM INCOME				
General business		404.4		461.3
Life business		125.5		76.7
Total		529.9		538.0
PROFITS				
General business		(14.4)		(25.3)
- Underwriting result		30.4		41.8
- Investment income attributable to general insurance funds		16.0		16.5
General insurance profit		9.3		15.0
Shareholders' investment and other income		25.3		31.5
Life business profit		4.2		4.2
Share of associated companies' results		(0.2)		(1.6)
Provision for staff profit sharing scheme		(0.5)		(0.8)
Profit before taxation		28.8		33.1

Copies of the Annual Report will be available shortly from the Company Secretary at 33 Cornhill, London EC3N 3JF.

Cornhill INSURANCE
A member of the Allianz Group

UK COMPANY NEWS

£250m takeover makes it a 'year of achievement' for enlarged high street food chain Bejam helps lift Iceland Frozen Foods to £35.4m

By Maggie Urry

ICELAND FROZEN Foods, the freezer centre chain, yesterday reported a surge in annual pre-tax profits from £9.08m to £35.4m largely because of the takeover of the rival Bejam group in January 1989.

Fully diluted earnings per share rose by some 12 per cent to 28.9p, reflecting the shares issued in connection with the £250m acquisition.

The combined group made sales of £572.1m (£506.2m) and the interest charge was £5.4m (£377,000). Pre-tax profits included £777,000 (£170,000) of property profits and the interest charge was net of capitalised interest of £705,000 (£645,000).

The original Iceland business increased food sales by 24 per cent to £554.2m, and the Bejam business saw food sales fall by 7.7 per cent to £235.5m.

Mr Malcolm Walker, chairman and chief executive of Iceland, and one of the original founders of the company which

celebrates its 20th anniversary this year, said it had been a year of achievement for the group. The shares rose by 21p to 289p yesterday, reversing some of the sharp fall from a peak of 402p last September.

Mr Walker repeated remarks he made last year that Bejam had been trading worse than he had feared when Iceland took it over. He said sales of £35m had been "lost" by Bejam, which had affected group profits.

However, he was confident that the Bejam shops which had been converted to the Iceland format were showing sales gains once more.

So far 124 Bejam shops have been refitted at a cost of £20m, and a similar number of refits in the current year, at the same cost, would complete the changeover of Bejam stores.

Also last year 42 new Iceland stores were opened, a further 30 are due to open in 1990 and a higher number in 1991. Mr Walker said he felt there was

room for 1,000 Iceland stores in the UK as a whole.

The company had debt at the year end of £51m. Mr Bernard Leigh, finance director said, representing gearing of 86 per cent. This would rise initially this year but then fall to 60 per cent by the end of 1990 and under 50 per cent by the end of 1991, he predicted. Some £30m of the group's debt is at a fixed interest rate of under 10 per cent, the rest pays floating interest rates.

Mr Walker countered suggestions that Iceland was facing increasing competition from supermarket retailers saying that shoppers use high street Iceland stores as convenience stores between supermarket trips. Out-of-town Iceland stores benefit from freezer owners' bulk buying, spending, perhaps, £20 in one trip.

A proposed final dividend of 4.2p gives a total of 8.2p (5.25p).



Malcolm Walker: trading at Bejam worse than feared

COMMENT

The rise in Bejam's shares is a little puzzling, since the figures were slightly worse than expected, but can perhaps be explained by the drop since the interim results last September and the thinness of the market in the shares. Iceland put on a confident presentation to analysts yesterday, though it is easy to put the blame for any disappointment on Bejam. For the current year pre-tax profits could reach £42m, after an interest charge up to about £11m, suggesting a p/e of 8.5. However, after last year's downgradings and with the debt burden so high it may pay to be cautious this year.

QS Holdings set to join main market with an initial tag of £39.3m

By Clare Pearson

QS HOLDINGS, a south of England-based retailer of family clothing, is braving uncertain conditions in the high street and joining the main market at an initial value of £39.3m.

The company is selling 27.7 per cent of its enlarged share capital, but the placing raises just £2.1m worth of new money.

On a pro forma basis, and notional 35 per cent tax charge, the placing price of 100p represents a p/e of 10.25. The notional gross dividend yield is 5 per cent.

About three-quarters of the existing shares being sold come from the Berry family, which founded the company from which QS evolved about 50 years ago. The balance is being sold by management. The Berrys retain a majority holding after the placing.

In the year to January 26, QS made pre-tax profits of £5.52m (£4.25m). That was after net interest receivable of £533,000 (£394,000). Sales were £36.67m (£37.3m).

On the current year, QS said it had "started well with sales targets being comfortably achieved" and the directors were "confident of another year of progress." It plans to increase sales area, which rose by 30 per cent last year to 119,000 sq ft, by at least another 10 per cent in the current year.

Mr Nigel Tibbles, chairman, said although the company had no need of extra funds at the moment, the stock market listing would help its "controlled expansion" and also help to motivate staff. No acquisitions are planned at present.

Pamela Gordon is sponsor to the placing.

Avena has 33.1% of Runciman

By Clare Pearson

ACCEPTANCES IN respect of just 0.2 per cent of the shares in Walter Runciman, the shipping, security equipment and insurance group, had been received by Avena, the diversified Swedish group, by the first closing date of its hostile £47.5m cash offer on Monday.

The bidder additionally owns 28.5 per cent of the shares and prior to the start of the offer period had secured acceptances in respect of about 4.4 per cent.

Avena, which is being accused by Runciman of

launching a "highly leveraged bid", yesterday for the first time gave the London market up-to-date information on its level of gearing.

This came along with Avena's 1989 results which showed pre-tax profits doubled to SKr50.7m (£3.18m).

The company, involved in property, security equipment and construction, said its adjusted equity at end-December stood at SKr1.18m (£12m). In its offer document, it had shown net debt of SKr3.17m. To finance the Runciman bid,

it has arranged a \$40m loan facility.

The adjusted equity figures included surplus value on investment properties amounting to SKr5.6m (£570,000) but excluded surpluses on land, work in progress and shares in subsidiaries.

Runciman said yesterday: "It comes as no surprise that Avena has received negligible support for its highly leveraged offer." The company's shares were yesterday unchanged at 54p, compared with Avena's offer price of 52p.

NEWS DIGEST

Halstead falls to £3.15m

REDUCED pre-tax profits of £3.15m compared with £3.31m were announced by James Halstead Group, the floor covering, clothing and trailer tents manufacturer, for the half year to end-December 1989.

Mr Vincent Clare, chairman, blamed the downturn on a severe reduction in demand for Belstaff's manufactured products. Corrective action had been taken to reduce production capacity in line with demand. However, the floor coverings business had a good first half, he said.

Turnover moved ahead from £24.93m to £27.15m. The interim dividend is lifted to 4p (3.75p), payable on earnings per share of 14.14p (14.22p).

Growth returns at Bilston Enamels

Bilston & Battersea Enamels returned to the growth path in 1989 with record taxable profits of £268,000 - 80 per cent higher than the depressed £149,000 of the previous year. The company said that action taken in November 1988

had been successful with the reduction in operating costs enabling margins to rise by 2 percentage points.

Turnover increased to £4.33m (£4.13m) with the UK performing strongly helped by a full year's sales to Harrods. Overseas sales rose by 11 per cent with the largest advance being in the US.

After tax of £201,000 (£111,000) earnings per share were 8.6p (4.8p). A proposed final dividend of 3p lifts the total to 4.75p (4.2p).

InishTech at £2.8m after restructuring

InishTech announced pre-tax profits of £2.8m (£2.2m) for the nine months to December 1989. Profits were £197,000 for the year ended March 31 1989.

The Dublin-based former venture capital investment company became a subsidiary of James Creen in January 1989 and changed its activities to those of an industrial holding company with interests in disposable products.

Directors said the company's policy of retaining profits for reinvestment should be maintained in the light of its current development programme. Accordingly there is no dividend. Earnings per share were 23.7p (3.5p). Turnover was £17.88m (£13.5m).

Alexander Russell hits £2.11m

Alexander Russell, the Glasgow-based company with interests in mineral extraction and related activities, returned profits of £2.11m pre-tax from a turnover of £32.67m for the nine months to December 31.

The company has changed its year end and the figures compare with £2.75m and £38.5m respectively for the 12 months to March 31 1989.

Basic earnings for the nine months emerged at 4.31p (6.01p for the period) and a final dividend of 1.07p makes a 1.61p total. That compares with the 2.04p paid for the year to end-March 1989.

IOM Steam Packet rises to over £3.5m

Pre-tax profits of the Isle of Man Steam Packet Company rose by £201,000 to £3.5m in the year to December 31 on turnover up from £18.22m to £21.1m.

After tax of £516,000 (£563,000) attributable profits were £2.91m (£2.58m). Earnings per share, based on pre-tax figures because of Manx tax requirements, rose from a revised 20.9p to 23.5p. A final dividend of 3p makes a total of 4p, a 1p improvement on 1988.

CONDER GROUP PLC

Preliminary announcement of results for the year ended 31st December, 1989.

	1989	1988
Turnover	£000	£000
Profit before tax	300,300	169,800
Profit after tax	10,415	6,256
Earnings per share	85p	65p
Dividend per share	16p	11p

Extract from the Chairman's statement to shareholders:

"... a further year of outstanding results... strong organic growth from core businesses... four complementary acquisitions... an excellent team for the 1990s"

For details of our services or shareholder reports, please contact Liz Atkinson, 0962 882222.

PROPERTY DEVELOPMENT • DESIGN AND BUILD CONTRACTING • STEEL FRAMED SUPERSTRUCTURES • CLADDING AND CURTAIN WALLING • BUILDING SERVICES & ENERGY MANAGEMENT SYSTEMS • MODULAR BUILDINGS • FORECOURT SERVICES • TANKS • WATER TREATMENT • ENVIRONMENTAL PROTECTION

This notice is issued in compliance with the requirements of the Council of the International Stock Exchange of the United Kingdom and the Republic of Ireland Limited ("The Stock Exchange"). It does not constitute an invitation to any person to subscribe for or to purchase shares.

Application has been made to the Council of The Stock Exchange for the grant of permission to deal in the entire issued share capital of Feltrim on The Third Market in Dublin and London and dealings are expected to commence on 29 March 1990.

FELTRIM MINING PLC

(A public limited company incorporated under the Irish Companies Act, 1963 to 1986, Registered in Ireland No 228682)

OFFER TO SHAREHOLDERS

of
1,666,666 new Ordinary Shares of IR20p each
at IR32p per share
and
PROPOSED ACQUISITION
OF THE ENTIRE ISSUED SHARE CAPITAL
of
CONNARY MINERAL plc

Copies of the information document may be obtained during normal business hours on any weekday (Saturdays and public holidays excepted) up to and including 30 April 1990 from either Davy Stockbrokers, or Feltrim Mining plc at the addresses below:

Davy Stockbrokers
Davy House,
49 Dawson Street,
Dublin 2.

Feltrim Mining Plc,
The Stables,
Coast Road
Portlaoise,
Co. Dublin

INTERNATIONAL DIRECT MARKETING

The Financial Times proposes to publish a Survey on the above on

APRIL 18th 1990

For a full editorial synopsis and advertisement details, please contact:

Neville Woodcock

on 01-873 3365

or write to him at:

Number One, Southwark Bridge
London SE1 9HL.

FINANCIAL TIMES
LONDON'S BUSINESS NEWSPAPER

VENTURE ECONOMICS FT FINANCIAL TIMES CONFERENCES

Venture Forum '90 EUROPE

Paris, France, April 4-6, 1990

Speakers taking part include:

Jean-Michel Barbier
Director General
Thomson-CSF Ventures

Michael Bentley
Deputy Chairman & Chief Executive
Electra Investment Trust PLC

Gilles Cohen-Salvador
President Director General
LBO France

Ronald Cohen
Chairman
The MMG Patrick Group plc

Paolo Colonna
Partner
Schroder Associates Srl

David Cooksey
Executive Vice President &
Managing Director - Europe
Advent International Corporation

Tom Judge
Director
Investment Management Organisation
AT&T

Roland Magnin
Executive Vice President
Xerox Corporation

Alain Minc
Vice-President Director General
Compagnies Europeennes Reunies

Jos Peeters
Managing Director
Bentley Management NV
Chairman, EVCA

Ernest Antoine Scaillet
President
Compagnie Generale d'Industrie
et de Participations

Daniel Toulemonde
Managing Director
Euroventures SCA

Venture Forum '90
EUROPE

For information please return this advertisement, together with your business card, to:

Financial Times Conference Organisation
126 Jermyn Street, London SW1Y 4JJ
Alternatively:
Telephone: 01-925 2323
Telex: 27347 FTCONF G Telex: 01-925 2125

NOTICE TO HOLDERS OF
INCCS CO., LTD.
(Incorporated in the Republic of Ireland)
U.S. \$25,000,000
75p per cent
Convertible Bonds Due 1996
(the "1996 Bonds")
and
U.S. \$25,000,000
50p per cent
Convertible Bonds Due 1996
(the "1996 Bonds")

Percentage Conversion: (a) 75% of the 1996 Bonds (b) 50% of the 1996 Bonds (c) 75% of the 1996 Bonds (d) 50% of the 1996 Bonds (e) 75% of the 1996 Bonds (f) 50% of the 1996 Bonds (g) 75% of the 1996 Bonds (h) 50% of the 1996 Bonds (i) 75% of the 1996 Bonds (j) 50% of the 1996 Bonds (k) 75% of the 1996 Bonds (l) 50% of the 1996 Bonds (m) 75% of the 1996 Bonds (n) 50% of the 1996 Bonds (o) 75% of the 1996 Bonds (p) 50% of the 1996 Bonds (q) 75% of the 1996 Bonds (r) 50% of the 1996 Bonds (s) 75% of the 1996 Bonds (t) 50% of the 1996 Bonds (u) 75% of the 1996 Bonds (v) 50% of the 1996 Bonds (w) 75% of the 1996 Bonds (x) 50% of the 1996 Bonds (y) 75% of the 1996 Bonds (z) 50% of the 1996 Bonds (aa) 75% of the 1996 Bonds (ab) 50% of the 1996 Bonds (ac) 75% of the 1996 Bonds (ad) 50% of the 1996 Bonds (ae) 75% of the 1996 Bonds (af) 50% of the 1996 Bonds (ag) 75% of the 1996 Bonds (ah) 50% of the 1996 Bonds (ai) 75% of the 1996 Bonds (aj) 50% of the 1996 Bonds (ak) 75% of the 1996 Bonds (al) 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UK COMPANY NEWS

Investment income boost lifts Willis Faber to £62m

By Vanessa Houlder

WILLIS FABER, insurance broker, yesterday announced a 15 per cent increase in 1989 pre-tax profits from £54.4m to £62.3m. Earnings grew for the first time since 1986, with a 18 per cent rise to 15.52p.

A sharp rise in investment income less interest payable from £26.6m to £29.7m helped offset a decline in income less expenses.

Total brokerage and fee income grew by 4 per cent to £287.8m. After taking account of exchange rates and acquisitions and disposals, the underlying growth was also 4 per cent. Expenses increased by 6 per cent, excluding exchange rate movements, as a result of increased employment costs.

New orders offset low premium rates in Willis Faber & Dumas, which reported unchanged brokerage income of £101m. Growth was particularly strong in international and London market reinsurance business.

Willis Wrightson, the retail broker, increased its broker-

age and fee income by 9 per cent to £53m, despite premium rate reductions. Willis Faber International increased income by 15 per cent with strong performances from the US and Bermuda. Willis Consulting Group grew by 20 per cent.

The company underwriting agencies increased their income by 17 per cent, partly as a result of profit commission on the 1988 year of account.

The London and North American insurance companies improved their contribution after a 11 per cent increase in premiums and a 42 per cent increase in investment income, partly offset by losses from Piper Alpha, the Californian earthquake, Hurricane Hugo and other disasters.

Profits fell at Willis Faber & Dumas (Agencies) from the 1988 figures, which included profit commission from the managing agency business divested in 1985.

The sale of its Morgan

Grénfell stake made an extraordinary profit of £48.2m.

The final dividend was increased by 7 per cent to 8.15p, making a 5 per cent increase in the total to 12p (11.49p).

COMMENT

These results wrong-footed most analysts and Willis Faber's shares rose 10p to 257p in response. A surge in 1989 investment income and good new business growth combined with a solid dividend increase and an unusually informative presentation managed to convey a rather more optimistic stance than at the half way stage. However, many observers expect this year to be an uphill struggle. Premium rates continue to be under pressure and UK wage inflation will lead to a hefty increase in costs. Estimates vary, but assuming, conservatively, that pre-tax profits this year clear £70m, the shares are on a fully valued p/e of 14.5.

Open skies policy subject to delay

Paul Betts on reaction to the MMC referral of BA's proposed 20% stake in Sabena

MR NICHOLAS Ridley, the trade and industry secretary, appears to have taken British Airways completely aback with his decision yesterday to refer BA's £34m acquisition of a 20 per cent stake in Sabena World Airlines, the Belgian carrier, to the Monopolies and Mergers Commission.

The move is a major blow for BA. The UK carrier had seemed confident, in public at least, that its deal with Sabena, also involving KLM Royal Dutch Airlines acquiring a 20 per cent stake, would be cleared by both the European Commission and domestic regulators. Only last month, Sir Colin Marshall, BA's chief executive, was explaining to a group of American and British financial analysts BA's plans to develop a new European airline hub in partnership with Sabena and KLM in Brussels.

Through this deal BA was hoping to boost its European operations, whose financial performance has been deteriorating during the last five years. At the same time, the partnership with the Belgian airline was one additional component in BA's strategy of continuing to build up its position as a global carrier.

After the fiasco of its aborted deal to acquire a stake in United Airlines last year, BA had clearly hoped for an easier ride with Sabena. The irony is that while BA had always expected the EC to examine the agreement closely, it had not anticipated an anti-trust referral in its home ground especially since both the Belgian and Dutch Governments appeared solidly in favour of the deal.

BA did not hide its anger yesterday. It described Mr Ridley's decision as "indiscernible" since the EC was already scrutinising the deal. "It's a silly little English decision

which will make the French, Italians and Germans laugh at the UK shooting itself in the foot," was one wry comment from Speedbird House yesterday.

From the beginning, however, the Sabena deal was seen by the airline industry as a key test of both the EC's attitude to competition and liberalisation in the European airline industry as well as the British Government's own commitment to an open skies policy in the UK.

Immediately after the Sabena deal was signed at the end of last year, Mr Michael Bishop, the chairman of British Midland, the second tier UK carrier in which Scandinavian Airlines System holds a minority stake, filed a complaint in Brussels. He was subsequently heard by the UK Office of Fair Trading last month. Other smaller airlines both in the UK and Europe have expressed concern over the Sabena venture and one, Trans European Airways, in Belgium has filed a complaint in a Belgian court. But Mr Bishop has undoubtedly been the most outspoken opponent of the Sabena deal.

He said yesterday that he was extremely concerned by the deal because it involved the dominant airlines in three adjacent countries. "Together they have the majority of slots at six airports within a 250 mile radius from London," he said. The airports are Heathrow, Gatwick, Manchester, Birmingham, Brussels and Amsterdam. "This would make it very difficult for new airlines to compete against them," he argued.

Mr Bishop added that since the merger of BA and British Caledonian, BA had become such a dominant position in the UK that it prevented the introduction of more competition in the market. "Although we have been granted licences

to operate routes from Heathrow to Europe, we are finding it difficult to set up new services either because we can't get the slots or because other governments don't want competition," he said.

Mr Bishop also argued that there was a fundamental difference between the UK with its large multi-airline industry and other European countries where the airline industry was concentrated around one national airline.

Under the circumstances, Mr Bishop remarked, what was good for BA was not necessarily good for the smaller British airlines, for the consumer, or for UK commercial interests for that matter.

UK Government officials are understood to be particularly concerned by the implications of the deal on air traffic between the UK and Belgium. Officials claimed BA and Sabena would have 70 per cent of the 1.25m passengers travelling between the UK and Belgium every year. The next biggest airline would be Mr Harry Goodman's Air Europe with less than 10 per cent.

Mr Ridley's decision to refer the BA-Sabena deal to the MMC could also have broader European implications by fueling the debate in Brussels on competition and deregulation in the EC airline industry. Indeed, the Commission is currently split over airline competition policy. While Sir Leon Brittan, the competition commissioner, and his staff are worried by the current state of mergers and alliances in the European airline industry, other commissioners have argued that European airlines must be able to build up their critical mass to compete against other big international carriers from North America or the Far East.

Apart from the Sabena deal, the EC is investigating KLM's

various stakes in other Dutch airlines as well as the recent takeover by Air France of UTA, the French independent long-haul carrier. The deal has also given Air France control of Air Inter, the domestic French airline, and a dominant position in its home market. But the French argue that in Europe, most countries have a dominant airline, including the UK with BA, with a dominant share of their respective domestic markets. "In a liberalised European airline market, our competition will not come from small airlines but from equally if not larger US or Far Eastern airlines. Concentration is bound to happen since the Europeans must compete against other mega carriers," a French aviation official recently remarked.

The big European airlines have also argued that mergers and alliances were designed to make carriers more efficient and cost effective thus enhancing service to customers. Expressing his disappointment at the MMC referral, Lord King, BA's chairman, said yesterday the new Sabena venture was designed "to establish a new hub and spoke airline out of Brussels massively expanding existing services, increasing customer choice and producing long-term benefits for the consumer."

BA claimed that its case was easy to argue on strict competition grounds because the new Sabena would provide more aircraft, more routes and more services giving the customer greater choice. It also said it would not compromise with the UK authorities over its deal to acquire a minority stake in Sabena as it did over the ECAL merger when it was forced to abandon certain routes.

It furthermore questioned Mr Ridley's rationale for not referring KLM as well to the MMC. Mr Ridley did not refer the KLM deal partly because it was under investigation in Brussels and he did not believe that BA had the same influence over KLM as it is likely to have in Sabena.

Whatever the outcome, Mr Ridley, one of the advocates of a dual airline policy involving BA and an independent ECAL for the UK back in the days before BA privatisation five years ago, has now unleashed a new controversy over open skies which promises to intensify the traditional infighting between airlines and pressure groups to new heights of acrimony.

Pittard Garnar reaches £4m

By Nikki Tait

PITTARD GARNAR, one of Britain's two remaining quoted leather companies, yesterday unveiled pre-tax profits of £4.05m for the year to end-1989.

Financially, the clothing leather and charcuterie side made healthy progress, with Pittard claiming improvement on the previous year's total of just £849,000. However, during 1988 Pittard suffered a disastrous first-half, in terms of second half profits, 1989 showed a 40 per cent fall, from about £2.34m to £2.03m.

This relatively disappointing performance was blamed by Pittard on two principal factors: a high interest burden and continuing losses in its shoe and leathergoods divisions.

At the pre-interest level, profits improved from £5.88m to £7.4m, with all divisions - aside from the shoe business - showing an advance. Sales were £133.08m (£128.15m).

Pittard's original gloving division saw a 38 per cent increase in operating profit

overall, although the company said the second half did not quite match the performance of the first six months.

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on both the sheepskin and hide fronts were high towards the end of the year, and hence Pittard was obliged to finance expensive stock levels. It said that there had been some signs of prices falling back in the current year and that it was aiming for year-end gearing of about 50 per cent. Surplus assets, which might raise some £2m-£4m, have been identified.

In the meantime, the group said that it was waiting to see how events unfolded at Strong & Fisher, the rival leather company which owns 27.4 per cent of its shares. In February S&F said it was renegotiating its own extensive borrowings in the wake of the sharp fall in the value of the Pittard stake, but no further announcement has been made.

Earnings per share, after a 28.7 (28.5) per cent tax charge were 11.8p (8.5p), and the final dividend is pegged at 4.15p, making 6.1p (5.9p) for the year.

Conder soars to £10.4m

CONDER GROUP, the property developer which provides a range of services and products for the construction industry, yesterday reported a 67 per cent improvement from £6.26m to £10.42m in pre-tax profits for the year to December 31.

Mr Christopher Stewart-Smith, chairman, said that strong organic growth from core businesses was the main factor in the trading performance.

Property development growth continued in both activity and profits. On the projects side turnover grew to over £120m, more than double that of the previous year.

Excellent results were achieved by the steel struc-

tures business in a buoyant UK market and IEF had a highly satisfactory year.

There was a cautionary note in the tall, however. Market conditions turned down in the third quarter of 1989 and were now notably less favourable than they had been.

Group turnover last year increased 77 per cent to £200.3m (£189.8m) and although the proportionate tax charge increased from 15 per cent to 33 per cent, earnings per share rose from 65p to 85p.

A final dividend of 10p is recommended to make a total of 25p (11p). It is also proposed to sub-divide each 25p ordinary share into five ordinary 5p shares.

Scot Heritable profit setback to £10.1m

Scottish Heritable Trust, the York-based property and industrial holding company has recorded its first setback in profits in six years with a downturn of £2.6m to £10.1m in the year to end-December last.

Mr Cochrane Duncan, chairman, told shareholders that a slowdown in UK property sales together with start-up costs of the new modular housing plant in Alabama, US, contributed to the shortfall.

But the figures showed a turnaround from a loss of £270,000 to a profit of £1.6m in the manufacturing division and Mr Duncan noted that the Brewster company (Standard Brock) achieved the highest profits in its history.

Earnings per share for the period were 18p (20.5p) before and 19.3p (18.5p) after adjusting for extraordinary items.

An increased final dividend of 4p (3.5p) is recommended by the directors, making a total of 7p (6p) for the year.

Gestetner Holdings PLC

At the time of the preliminary announcement of the results for the period ended 31st October, 1989, it was stated that the Company would pay a final dividend of 6p per share on 4th April, 1990 to holders of Ordinary shares registered at the close of business on 9th February, 1990, following approval of members at the 1990 Annual General Meeting. For administrative reasons, the Annual General Meeting is now to be held on 19th April, 1990 and the dividend will therefore be paid on 4th April, 1990, as announced, as a second interim dividend in lieu of a final dividend.

Holders of Ordinary shares in bearer form should lodge Coupon 129 at Barclays Bank PLC, Stock Exchange Services Department, 54 Lombard Street, London, EC3P 3AH on or after 4th April 1990 for their entitlement to the above dividend.

Holders of Ordinary Capital shares are reminded that, whilst they have no entitlement to a cash dividend at this time, they are entitled to scrip in lieu of the second interim dividend for the period ended 31st October, 1989. Such entitlement, based upon each Ordinary Capital share registered at close of business on 9th February 1990, is as follows:

based on the average price of 242.235294p
for each Ordinary Capital share 0.0330257 of an
held, holders will receive Ordinary Capital share

Fractions of new shares will be sold for the benefit of the Company Scrip, to be allotted on 27th March 1990, will be despatched to registered shareholders on 29th March 1990.

Holders of Ordinary Capital shares in bearer form should lodge Coupon 129, with allotment instructions, at Barclays Bank PLC, Stock Exchange Services Department, 54 Lombard Street, London EC3P 3AH on or after 4th April 1990 for their entitlement to registered Ordinary Capital shares in accordance with the above.

66 Chiltern Street
London W1M 2AP
26th March, 1990

R.L.E. Lewis
Secretary



Royal Insurance

1989 REPORT

1989 was a mixed year, with a strong stockmarket strengthening our overall Capital and Reserves but with unprecedented natural catastrophes affecting trading results.

However, our total financial strength enables us to recommend a 13.3% increase in the dividend for the year, to 25.5p.

Welcome news not only for our shareholders but also for our policyholders worldwide whose protection rests on our strength and who can be reassured by the fact that "We are there when you need us".

We have amended the presentation of the accounts to focus on the wider

issue of total movement in Capital and Reserves which now stand at £2,663m.

We believe this concept of "Total Return" will enable shareholders to form a better assessment of the full value of the Group and the underlying strength of its operations.

Looking forward to the new decade, we intend to play a full part in the changing scene in Continental Europe. We also see a growing demand for a global insurance facility which will provide us with increased opportunities.

For our full 1989 story, and a glimpse at our prospects for 1990 and beyond, please send the coupon below for the Royal's Annual Report and Accounts.

FINANCIAL HEADLINES

- Capital and Reserves increased by £529m to £2,663m, up 25%
- Net assets per share up from 441p to 546p
- Pre-tax trading profit £126m (1988: £223m)
- Earnings per share 18.6p (1988: 32.1p)
- Total dividend up 13.3% to 25.5p per share
- Premium income up over 19% to £4,743m
- Investment income up 25% to £522m



Royal Insurance

The 1989 Annual Report and Accounts is being posted to all shareholders. Copies are available from Group Corporate Relations, Royal Insurance plc, 1 Cornhill, London, EC3V 3QR.

NAME
ADDRESS

POSTCODE

FT

LONDON STOCK EXCHANGE

Down to earth with a sudden bump

A STRING of disappointing corporate results and a lack of impetus in Tokyo brought the UK stock market down to earth with a bump yesterday, driving the FT-SE 100 index down by more than 30 points in a significantly increased trading volume. Technical pressures inside the London market were suddenly reversed as a leading securities house finished closing bear positions taken on following last week's UK Budget and then backed away from equities.

Market indices were badly hit by a huge fall in Carlton Communications following the sale of Coworth Holdings, its specialist engines subsidiary,

Account Opening Date	Mar 26	Mar 27	Mar 28
Open	1100.00	1100.00	1100.00
Close	1100.00	1100.00	1100.00

to Vickers for what was regarded initially as a poor price. Trading news from the shipping and construction group P & O also disappointed the market, and a £12m rights issue from T & N, the engineering components firm, provided further disappointment. Equities opened lower after a

stable performance by the Nikkei index overnight, and losses were extended as the flow of company news hit the trading screens. Firms in sterling had a more conventional effect than in recent days, pointing to better times for the overseas earnings stocks rather than providing comfort on domestic interest rate prospects. ICI turned sharply lower as investors assessed the outlook for the global petrochemicals industry.

The setback in equities gathered pace when UK Glis, having already reversed early gains, fell away sharply in late dealing. The final reading on the FT-SE 100, taken at

4.30pm since Stock Exchange trading hours changed this week, showed a loss of 32 points at 2,652.2.

"Why were we at 2,600 on Monday?" was the despairing answer of one trader to the question of why the market fell yesterday. Seaq volume increased to 385.9m from the 383.3m of the previous session, and included a \$30m trading programme reportedly from Smith New Court, the UK securities house.

There was more "serious business" yesterday, according to a senior trader at a US firm. The flow of disappointing corporate profits news was an unsettling factor for a market

which has benefited over the past month from good dividends and earnings statements from major companies. Poor profits news from, among others, Buxton and Marley, were seen as reminders that there could be gloomier times ahead.

In the wake of the Budget Speech from Mr Major, the UK Chancellor of the Exchequer, the equity market's hopes for an easing in domestic interest rates have been put back to next year. On the international front, the continuing weakness of the Yen, reflected in the new uncertainty in Tokyo equities, has re-awakened London's concern over the outlook for global markets.

FINANCIAL TIMES STOCK INDICES									
	Mar 27	Mar 28	Mar 29	Mar 30	Mar 31	Year	High	Low	Since Completion
Government Secs	78.51	78.72	78.23	78.03	75.91	87.96	88.28	75.91	127.4
Fixed Interest	85.28	85.29	85.12	85.06	84.14	88.83	88.28	85.12	106.4
Ordinary Share	1788.9	1813.5	1788.1	1778.1	1771.4	1708.0	2006.6	1447.8	200.8
Gold Mines	288.8	273.6	294.5	290.9	294.7	186.1	374.5	154.7	794.7
FT-SE 100 Share	2266.2	2266.2	2266.2	2266.2	2266.2	2086.6	2453.7	1782.8	2453.7
Div. Div. Yield	4.90	4.88	4.82	4.87	4.85	4.81	5.00	4.60	5.00
Earning Yld (%)	11.80	11.81	11.81	11.81	11.75	10.92	12.00	10.92	12.00
P/E Ratio (Mar)	10.44	10.33	10.33	10.33	10.33	11.36	11.36	10.33	11.36
SEAO Gains 4.45pm	30,868	30,868	30,868	30,868	30,868	30,868	30,868	30,868	30,868
Equity Bargains	35,058	34,261	32,892	34,805	32,892	32,892	34,805	32,892	32,892
Shares Traded (m)	300.5	450.0	478.2	350.1	402.0				
Ordinary Share Index, Hourly changes									
Open	1808.9	1808.9	1808.9	1808.9	1808.9	1808.9	1808.9	1808.9	1808.9
Close	1808.9	1808.9	1808.9	1808.9	1808.9	1808.9	1808.9	1808.9	1808.9
FT-SE 100, Hourly changes									
Open	2266.2	2266.2	2266.2	2266.2	2266.2	2266.2	2266.2	2266.2	2266.2
Close	2266.2	2266.2	2266.2	2266.2	2266.2	2266.2	2266.2	2266.2	2266.2

Heavy setback in Carlton

Carlton Communications fell steeply as analysts cut their profit forecasts in response to a less than bullish comment from the company on trading.

The weakness was initially expected by the sale of the company's specialist engine division, Coworth, to Vickers, for £163.5m. The market's view that figure as below most estimates made since Coworth was put up for sale last autumn.

The analysts' considered view, that the price was reasonable for both sides, did not reassure the market. Carlton shares suffered from successive bouts of what one researcher called "panic selling" as they fell to a low of 589p after New York opened with still further selling. The shares ended the day at 590p, a decline of 81p, or 12.1%, from 671p, a decline of 81p, or 12.1%, from 671p.

Among analysts to cut their forecasts, BZW was among the most aggressive, they lopped 21.5m off their current year estimate to £160m. Others were more modest, such as Home Govett, which trimmed its figure to £170m from £177.5m.

Most analysts were cautious in their recommendations, suggesting that investors should stay on the sidelines until the dust had settled. One said: "The stock looks reasonable value, but I don't know who will have the guts to buy it." Another added that Carlton was undervalued "if you can live with the inevitable uncertainty."

Prudential active

Preliminary profits from Prudential Corporation up 9 per cent at £335.5m, against last year's £328.5m, were initially regarded as satisfactory. In particular, the dividend, up 15 per cent, was said to have been at the top end of expectations, although one trader said that super-bulls of Prudential were disappointed with the payment.

A subsequent and more thorough examination of the figures brought a re-appraisal and the share price slipped back in keen two-way business to end the session a net 5 off at 207p. Turnover expanded to 7.8m, well ahead of usual levels of business.

The UBS Phillips & Drew (UBS) insurance team described the results as "in essence quite good", but added that growth was expected to slow. UBS rated the shares "a hold" - and likely to mark time. The main support will

Isosceles stubbed

Isosceles equity stub fell by almost a third on the announcement that capital restructuring is likely in the wake of its failure to sell its UK stores to Wm Low, the Scottish retailer.

Talk of a rights issue by the high-leveraged company, which took over Gateway food retail group with a more than £20m bid last year, prompted high selling. The stubs closed at a mid-price of 215 pence compared with 222 pence the previous day. The selling pressure wasn't that heavy, but the business was all one way, a market participant said.

One analyst commented: "The stubs will continue to come under pressure until the uncertainty over Isosceles' recapitalisation is cleared up. Meanwhile, Wm Low continued to advance following the collapse of the talks, closing a penny up at 303p.

Norex strong

Norex, the transport and insurance company, posted a quick rise to 213p before closing the session 23 up on balance at 200p after analysts had met the company.

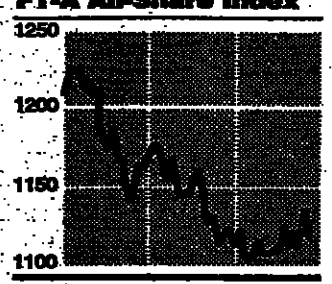
Dealers said that buying interest had arisen as a result of the company's purchase in the first few weeks of the year of discounted debt. Norex paid \$55m for \$77m of paper issued against oil rigs by a US company, Global Marine.

Mr John Morley, who researches the company at broker Bargarie Hale said: "They timed the deal right."

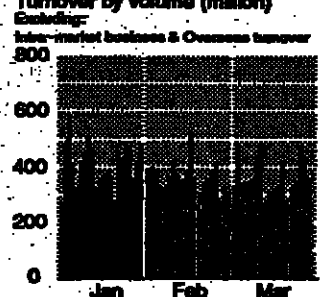
Other sources said that the cash flow from the rigs when the debt was bought would not have covered their running costs. Since then, rates have risen by half and Global is in a position not only to pay the 13 per cent coupon, but possibly to repay some or all of the principle.

ICI fell 31 to 1113p on a warning from Chem Systems, the Anglo-American consultancy, that the downturn in Europe's petrochemicals sector could last another 3 years. Mr Martin Glen at Shearson Lehman Hutton, who recently had discussions with ICI about January and February trading

FT-SE All-Share Index



Equity Shares Traded



conditions, also pointed out that shipment of fertiliser products has been severely affected by sales in the UK and that demand in polyurethanes was still weak, especially in the US.

Mr Glen predicted a 20 per cent fall in the company's profits to £250m, and said: "It looks like the shares have moved up too far in the short term."

Davy Crook backed the market trend closing 9 up at 245p, following an announcement that Davy is to buy Clecim Group, the metal engineering division of French company Spie Batignolles. Under the terms of the deal, Davy is to issue Spie Batignolles with 17.4m new Davy shares, 14.7 per cent of Davy's enlarged capital, which Spie Batignolles will hold as a long-term investment.

T & N fell 19 to 175p after the company said it was to make a one-for-three rights issue to raise around £127m to finance a £190m cash agreed tender offer for J P Industries, a US based car parts supplier.

T & N said the rights issue would be in two parts with the second part taken up if the offer succeeds. If the offer failed, T & N said the proceeds will be used to reduce borrowings. Dealers were concerned about the possible earnings dilution that the deal would cause and also pointed to uncertainty about the deal's completion. Mr Robert Sassoon

at County Natwest echoed those worries but said, "long term, there is no doubt it is a hand in glove fit as north America has been an area of weakness for T & N."

Vickers saw-sawed and closed 3 down at 210p, following the announcement that it was to buy Coworth Engineers, a producer of high performance car engines, from Carlton Communications for £163.5m. The turbulence in the share price reflected uncertainty among dealers and analysts about the eventual impact on earnings.

Rolls-Royce were once again a good market and the shares held up relatively well, closing only a penny lower at 189p on high turnover of 8.2m shares.

Profit taking and a little nervousness ahead of today's figures were evident around Hawker Siddeley whose shares gave up 14 to 640p. Lancaster added another 10 to 143p, following Monday's news of the talks which could lead to an offer for the company.

Lealand-Frozen Foods unveiled a near four-fold jump in profits to £35m yesterday and the shares advanced 21 to 285p. Mr Paul Smiddy of Kleinwort Benson said the results had set at rest the market's worries about the company's ability to protect its margins in the face of a rising cost of raw materials.

He left his current year forecast of £42m unchanged, adding that the shares should hit 23 within a month. Mr Andrew Fowler of Charterhouse Tilney said that short-term trading could rise further and then hold in a range of 280 to 290p. He left his profits estimate unchanged this year at £42m.

Turnover in the banking sector was said by dealers to have been negligible. Standard Chartered lost 10 to 528p as income funds took profits and TSB also suffered, losing 4 to 140p on volume of shares 3.2m. Willis Faber, the insurance broker, performed extremely well, advancing strongly to close 3 ahead at 258p on turnover of 1.5m, after the group revealed preliminary figures in excess of the market's most optimistic expectations. Pre-tax profits came out at £23.3m against £24.4m, and the dividend total, 12p, caused smiles among analysts.

UBS Phillips & Drew upgraded their current year forecast to £75m and said that the prospective price earnings ratio of 15 times looked "quite attractive." Ms Julianne, who was director of the group, "seems finally to have turned the corner to sustainable recovery," and rated the shares a buy.

Speculative buying of Aquaculture, in the hope that the re-elected voting "A" shares might be enfranchised, left the market short of stock squeezing the price 16 higher to 150p.

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume	Price	Change
Admiral	1,000	1,000	0
Admiral	1,000	1,000	0
Admiral	1,000	1,000	0
Admiral	1,000	1,000	0
Admiral	1,000	1,000	0
Admiral	1,000	1,000	0
Admiral	1,000	1,000	0
Admiral	1,000	1,000	0
Admiral	1,000	1,000	0
Admiral	1,000	1,000	0

Based on trading volume for most major securities dealt through the SEAI system yesterday until 4.45 pm.

steadily in the days ahead of the results announcement.

Pearson was the best performer of the day among FT-SE stocks, holding on to an improvement of 7 achieved early in the session to close at 678p. Volume was small, even for Pearson, at 90,000 shares. Dealers said that there appeared to be no selling pressure ahead of year-end figures due on Friday.

Full-year profits from Buxton, down 30 per cent at 55.4m, depressed the shares which closed 10 off at 98p. Trading volume of 10m included two blocks of 4m each.

Year-end figures from P & O disappointed and the company's shares fell quickly. They recovered from a low of 589p to close at 592p, a net decline of 25. The shares had risen

with expectations of £18m.

A moderate decline in crude oil prices coupled with the left the oil and gas sector with a widespread, although generally modest losses.

BP slipped 2 1/2 to 335 1/2p on turnover of 3.4m shares while Shell, where turnover came out at 2.8m, lost 6 to 464p. British Gas, slightly unsettled by the waves caused by the Labour Party's views on the water industry, eased 2 to 216 1/2p on turnover of 3.4m.

LASMO drifted off 5 more to 589p as traders waited for official news from the group's much-awaited Westway well in the North Sea. Last week LASMO shares came under sustained pressure amid stories that the well, spoken of in

past weeks as a 200m-barrel discovery had, encountered serious problems. Expectations have now been lowered and observers are now looking for a 100m-barrel find.

Barmah, scheduled to report preliminary results tomorrow - County Natwest is forecasting net income of £91m against £97.2m - lost 6 to 539p. Calor, hit last week by a sell note from County Natwest, suffered another setback, closing a further 11 lower at 263p.

Worries about the Labour Party's stance on the water industry left the Water Package a further 250 down at £150.

Other Market statistics, including the FT-100 share index, Page 28

LONDON SHARE SERVICE

BRITISH FUNDS										BRITISH FUNDS - Contd										AMERICANS - Contd																																																																																																																																																																																																																																																																																																																																																	
1989/90	1988/89	1987/88	1986/87	1985/86	1984/85	1983/84	1982/83	1981/82	1980/81	1979/80	1978/79	1977/78	1976/77	1975/76	1974/75	1973/74	1972/73	1971/72	1970/71	1969/70	1968/69	1967/68	1966/67	1965/66	1964/65	1963/64	1962/63	1961/62	1960/61	1959/60	1958/59	1957/58	1956/57	1955/56	1954/55	1953/54	1952/53	1951/52	1950/51	1949/50	1948/49	1947/48	1946/47	1945/46	1944/45	1943/44	1942/43	1941/42	1940/41	1939/40	1938/39	1937/38	1936/37	1935/36	1934/35	1933/34	1932/33	1931/32	1930/31	1929/30	1928/29	1927/28	1926/27	1925/26	1924/25	1923/24	1922/23	1921/22	1920/21	1919/20	1918/19	1917/18	1916/17	1915/16	1914/15	1913/14	1912/13	1911/12	1910/11	1909/10	1908/09	1907/08	1906/07	1905/06	1904/05	1903/04	1902/03	1901/02	1900/01	1899/00	1898/99	1897/98	1896/97	1895/96	1894/95	1893/94	1892/93	1891/92	1890/91	1889/90	1888/89	1887/88	1886/87	1885/86	1884/85	1883/84	1882/83	1881/82	1880/81	1879/80	1878/79	1877/78	1876/77	1875/76	1874/75	1873/74	1872/73	1871/72	1870/71	1869/70	1868/69	1867/68	1866/67	1865/66	1864/65	1863/64	1862/63	1861/62	1860/61	1859/60	1858/59	1857/58	1856/57	1855/56	1854/55	1853/54	1852/53	1851/52	1850/51	1849/50	1848/49	1847/48	1846/47	1845/46	1844/45	1843/44	1842/43	1841/42	1840/41	1839/40	1838/39	1837/38	1836/37	1835/36	1834/35	1833/34	1832/33	1831/32	1830/31	1829/30	1828/29	1827/28	1826/27	1825/26	1824/25	1823/24	1822/23	1821/22	1820/21	1819/20	1818/19	1817/18	1816/17	1815/16	1814/15	1813/14	1812/13	1811/12	1810/11	1809/10	1808/09	1807/08	1806/07	1805/06	1804/05	1803/04	1802/03	1801/02	1800/01	1799/00	1798/99	1797/98	1796/97	1795/96	1794/95	1793/94	1792/93	1791/92	1790/91	1789/90	1788/89	1787/88	1786/87	1785/86	1784/85	1783/84	1782/83	1781/82	1780/81	1779/80	1778/79	1777/78	1776/77	1775/76	1774/75	1773/74	1772/73	1771/72	1770/71	1769/70	1768/69	1767/68	1766/67	1765/66	1764/65	1763/64	1762/63	1761/62	1760/61	1759/60	1758/59	1757/58	1756/57	1755/56	1754/55	1753/54	1752/53	1751/52	1750/51	1749/50	1748/49	1747/48	1746/47	1745/46	1744/45	1743/44	1742/43	1741/42	1740/41	1739/40	1738/39	1737/38	1736/37	1735/36	1734/35	1733/34	1732/33	1731/32	1730/31	1729/30	1728/29	1727/28	1726/27	1725/26	1724/25	1723/24	1722/23	1721/22	1720/21	1719/20	1718/19	1717/18	1716/17	1715/16	1714/15	1713/14	1712/13	1711/12	1710/11	1709/10	1708/09	1707/08	1706/07	1705/06	1704/05	1703/04	1702/03	1701/02	1700/01	1699/00	1698/99	1697/98	1696/97	1695/96	1694/95	1693/94	1692/93	1691/92	1690/91	1689/90	1688/89	1687/88	1686/87	1685/86	1684/85	1683/84	1682/83	1681/82	1680/81	1679/80	1678/79	1677/78	1676/77	1675/76	1674/75	1673/74	1672/73	1671/72	1670/71	1669/70	1668/69	1667/68	1666/67	1665/66	1664/65	1663/64	1662/63	1661/62	1660/61	1659/60	1658/59	1657/58	1656/57	1655/56	1654/55	1653/54	1652/53	1651/52	1650/51	1649/50	1648/49	1647/48	1646/47	1645/46	1644/45	1643/44	1642/43	1641/42	1640/41	1639/40	1638/39	1637/38	1636/37	1635/36	1634/35	1633/34	1632

FINANCIAL TIMES WEDNESDAY MARCH 28 1990

	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	00	01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	00	01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	00	01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	00	01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	00	01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	00	01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	00	01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	00	01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	00	01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	00	01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	00	01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	00	01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	00	01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	00	01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	00	01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	00	01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	00	01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	4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	10th	Cont.	10th	10th	Yield
	Charge	Cost	Price	Price	Gr's
Brown Shipley & Co Ltd - Contd.					
North American	6	63.46	63.46	67.50	40.03-0.33
Orient &	6	119.8	121.3	129.1	2.10-0.30
Recovery	6	49.40	49.40	53.14	6.12-0.30
Smaller Cos Acc	6	250.7	258.7	276.8	0.40 -

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Money Market Bank Accounts

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Pound advances and yen slides

STERLING'S RECOVERY and the continued slide of the Japanese yen remained the main features of fairly subdued foreign exchange trading yesterday. UK inflation is expected to move up to around 9 per cent in the next few months, according to City economists. It is likely to stay as high as 7 1/2 per cent at the end of the year, on Treasury forecasts, and independent estimates suggest the year-end figure may be nearer 8 per cent.

Against this background the market sees little immediate opportunity for a cut in UK interest rates. The prospect of a long period of high rates in London, and the lack of any important UK economic news until publication of March retail prices and February average earnings on April 12, provided support for sterling.

The pound closed in London at the day's high against the dollar, gaining 1.20 cents to \$1.5200. Sterling advanced to DM2.7800 from DM2.7675; to ¥255.75 from ¥255.25; to FF9.3525 from FF9.3175, and was unchanged at SF2.4475. Its index climbed 0.5 to 87.3.

In Tokyo the dollar rose to a high of ¥157.50, where the Bank of Japan stepped in to support its currency with sales of about \$100m to \$200m.

Dealers noted, however, that

the US Federal Reserve stayed out of the market on Monday in New York, despite the dollar's advance of about 2 1/2 yen, and it was not seen to intervene yesterday in support of the yen by the time Europe had closed. This tended to confirm that talks between Mr. Nicholas Brady, US Treasury Secretary, and Mr. Ryutaro Hashimoto, Japanese Finance Minister, failed to produce concrete measures to support the yen and that there is unlikely to be concerted action by the Group of Seven.

This lack of action by central banks maintained downward pressure on the yen. In London the US currency rose to a peak of ¥157.35, the highest level since January 1987, before closing at ¥157.25, against ¥156.35 on Monday. Soon after the finish of trading in London the dollar broke through resistance at ¥157.50 in New York, rising to ¥157.65.

European currencies were generally firmer against the dollar, partly as traders switched out of yen and into the D-Mark. This took the D-Mark up to ¥151.55 from ¥151.15. At the London close the dollar had fallen to DM1.7100 from DM1.7150; to SF1.5170 from SF1.5200; and to FF9.3525 from FF9.3175. The dollar's index was unchanged at 69.0.

However, the D-Mark remained depressed within the European Monetary System. The French franc was around the bottom of the system, but the D-Mark was fixed at a 30-month low against the franc of FF3.3658 in Paris. In London the West German currency closed at FF3.3640 against FF3.3660 on Monday. In Milan the Bank of Italy continued to buy D-Marks and ECUs as the lira advanced. The D-Mark fell to L734.50 from L735.25 at the London close.

EURO-CURRENCY INTEREST RATES

Mar 27	Short term	7 days notice	One Month	Three Months	Six Months	One Year
Switzerland	14.5-14.75	14.5-14.75	15.0-14.25	15.0-15.25	15.25-15.50	15.50-15.75
US Dollar	14.5-14.75	14.5-14.75	14.5-14.75	14.5-14.75	14.5-14.75	14.5-14.75
Sw. Franc	12.5-12.75	12.5-12.75	12.5-12.75	12.5-12.75	12.5-12.75	12.5-12.75
Dr. Guilder	9.75-9.75	9.75-9.75	9.75-9.75	9.75-9.75	9.75-9.75	9.75-9.75
Sc. Dollar	9.75-9.75	9.75-9.75	9.75-9.75	9.75-9.75	9.75-9.75	9.75-9.75
Den. Kroner	9.75-9.75	9.75-9.75	9.75-9.75	9.75-9.75	9.75-9.75	9.75-9.75
P. Franc	10.0-10.0	10.0-10.0	10.0-10.0	10.0-10.0	10.0-10.0	10.0-10.0
Italian Lira	10.0-10.0	12.0-12.0	12.0-12.0	12.0-12.0	12.0-12.0	12.0-12.0
Spanish Ptas.	10.0-10.0	10.0-10.0	10.0-10.0	10.0-10.0	10.0-10.0	10.0-10.0
Y. Pone	11.0-11.0	11.0-11.0	7.0-7.0	7.0-7.0	7.0-7.0	7.0-7.0
Arab. Ptas.	11.0-11.0	11.0-11.0	11.0-11.0	11.0-11.0	11.0-11.0	11.0-11.0
Indian Rupee	8.0-8.0	8.0-8.0	8.0-8.0	8.0-8.0	8.0-8.0	8.0-8.0

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NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Line	Alt	Lat	Long	Time	Temp	Wind	Clouds	Pressure	Humidity	Visibility	Remarks
1	100	30	120	1200	75	10	0	1010	80	10	Clear
2	100	30	120	1205	75	10	0	1010	80	10	Clear
3	100	30	120	1210	75	10	0	1010	80	10	Clear
4	100	30	120	1215	75	10	0	1010	80	10	Clear
5	100	30	120	1220	75	10	0	1010	80	10	Clear
6	100	30	120	1225	75	10	0	1010	80	10	Clear
7	100	30	120	1230	75	10	0	1010	80	10	Clear
8	100	30	120	1235	75	10	0	1010	80	10	Clear
9	100	30	120	1240	75	10	0	1010	80	10	Clear
10	100	30	120	1245	75	10	0	1010	80	10	Clear
11	100	30	120	1250	75	10	0	1010	80	10	Clear
12	100	30	120	1255	75	10	0	1010	80	10	Clear
13	100	30	120	1300	75	10	0	1010	80	10	Clear
14	100	30	120	1305	75	10	0	1010	80	10	Clear
15	100	30	120	1310	75	10	0	1010	80	10	Clear
16	100	30	120	1315	75	10	0	1010	80	10	Clear
17	100	30	120	1320	75	10	0	1010	80	10	Clear
18	100	30	120	1325	75	10	0	1010	80	10	Clear
19	100	30	120	1330	75	10	0	1010	80	10	Clear
20	100	30	120	1335	75	10	0	1010	80	10	Clear
21	100	30	120	1340	75	10	0	1010	80	10	Clear
22	100	30	120	1345	75	10	0	1010	80	10	Clear
23	100	30	120	1350	75	10	0	1010	80	10	Clear
24	100	30	120	1355	75	10	0	1010	80	10	Clear
25	100	30	120	1400	75	10	0	1010	80	10	Clear
26	100	30	120	1405	75	10	0	1010	80	10	Clear
27	100	30	120	1410	75	10	0	1010	80	10	Clear
28	100	30	120	1415	75	10	0	1010	80	10	Clear
29	100	30	120	1420	75	10	0	1010	80	10	Clear
30	100	30	120	1425	75	10	0	1010	80	10	Clear
31	100	30	120	1430	75	10	0	1010	80	10	Clear
32	100	30	120	1435	75	10	0	1010	80	10	Clear
33	100	30	120	1440	75	10	0	1010	80	10	Clear
34	100	30	120	1445	75	10	0	1010	80	10	Clear
35	100	30	120	1450	75	10	0	1010	80	10	Clear
36	100	30	120	1455	75	10	0	1010	80	10	Clear
37	100	30	120	1500	75	10	0	1010	80	10	Clear
38	100	30	120	1505	75	10	0	1010	80	10	Clear
39	100	30	120	1510	75	10	0	1010	80	10	Clear
40	100	30	120	1515	75	10	0	1010	80	10	Clear
41	100	30	120	1520	75	10	0	1010	80	10	Clear
42	100	30	120	1525	75	10	0	1010	80	10	Clear
43	100	30	120	1530	75	10	0	1010	80	10	Clear
44	100	30	120	1535	75	10	0	1010	80	10	Clear
45	100	30	120	1540	75	10	0	1010	80	10	Clear
46	100	30	120	1545	75	10	0	1010	80	10	Clear
47	100	30	120	1550	75	10	0	1010	80	10	Clear
48	100	30	120	1555	75	10	0	1010	80	10	Clear
49	100	30	120	1600	75	10	0	1010	80	10	Clear
50	100	30	120	1605	75	10	0	1010	80	10	Clear
51	100	30	120	1610	75	10	0	1010	80	10	Clear
52	100	30	120	1615	75	10	0	1010	80	10	Clear
53	100	30	120	1620	75	10	0	1010	80	10	Clear
54	100	30	120	1625	75	10	0	1010	80	10	Clear
55	100	30	120	1630	75	10	0	1010	80	10	Clear
56	100	30	120	1635	75	10	0	1010	80	10	Clear
57	100	30	120	1640	75	10	0	1010	80	10	Clear
58	100	30	120	1645	75	10	0	1010	80	10	Clear
59	100	30	120	1650	75	10	0	1010	80	10	Clear
60	100	30	120	1655	75	10	0	1010	80	10	Clear
61	100	30	120	1700	75	10	0	1010	80	10	Clear
62	100	30	120	1705	75	10	0	1010	80	10	Clear
63	100	30	120	1710	75	10	0	1010	80	10	Clear
64	100	30	120	1715	75	10	0	1010	80	10	Clear
65	100	30	120	1720	75	10	0	1010	80	10	Clear
66	100	30	120	1725	75	10	0	1010	80	10	Clear
67	100	30	120	1730	75	10	0	1010	80	10	Clear
68	100	30	120	1735	75	10	0	1010	80	10	Clear
69	100	30	120	1740	75	10	0	1010	80	10	Clear
70	100	30	120	1745	75	10	0	1010	80	10	Clear
71	100	30	120	1750	75	10	0	1010	80	10	Clear
72	100	30	120	1755	75	10	0	1010	80	10	Clear
73	100	30	120	1800	75	10	0	1010	80	10	Clear
74	100	30	120	1805	75	10	0	1010	80	10	Clear
75	100	30	120	1810	75	10	0	1010	80	10	Clear
76	100	30	120	1815	75	10	0	1010	80	10	Clear
77	100	30	120	1820	75	10	0	1010	80	10	Clear
78	100	30	120	1825	75	10	0	1010	80	10	Clear
79	100	30	120	1830	75	10	0	1010	80	10	Clear
80	100	30	120	1835	75	10	0	1010	80	10	Clear
81	100	30	120	1840	75	10	0	1010	80	10	Clear
82	100	30	120	1845	75	10	0	1010	80	10	Clear
83	100	30	120	1850	75	10	0	1010	80	10	Clear
84	100	30	120	1855	75	10	0	1010	80	10	Clear
85	100	30	120	1900	75	10	0	1010	80	10	Clear
86	100	30	120	1905	75	10	0	1010	80	10	Clear
87	100	30	120	1910	75	10	0	1010	80	10	Clear
88	100	30	120	1915	75	10	0	1010	80	10	Clear
89	100	30	120	1920	75	10	0	1010	80	10	Clear
90	100	30	120	1925	75	10	0	1010	80	10	Clear
91	100	30	120	1930	75	10	0	1010	80	10	Clear
92	100	30	120	1935	75	10	0	1010	80	10	Clear
93	100	30	120	1940	75	10	0	1010	80	10	Clear
94	100	30	120	1945	75	10	0	1010	80	10	Clear
95	100	30	120	1950	75	10	0	1010	80	10	Clear
96	100	30	120	1955	75	10	0	1010	80	10	Clear
97	100	30	120	2000	75	10	0	1010	80	10	Clear
98	100	30	120	2005	75	10	0	1010	80	10	Clear
99	100	30	120	2010	75	10	0	1010	80	10	Clear
100	100	30	120	2015	75	10	0	1010	80	10	Clear

Continued on Page 43

Heliopsis

ملتان ۲۸ مارچ

NYSE COMPOSITE PRICES

Continued from previous page

Stock	High	Low	Open	Close	Change
IBM	112.50	111.50	112.00	112.00	+0.50
Microsoft	68.00	67.00	67.50	67.50	+0.50
Apple	55.00	54.00	54.50	54.50	+0.50
Oracle	45.00	44.00	44.50	44.50	+0.50
Sun	35.00	34.00	34.50	34.50	+0.50
Novell	25.00	24.00	24.50	24.50	+0.50
Lotus	15.00	14.00	14.50	14.50	+0.50
Hyperion	10.00	9.00	9.50	9.50	+0.50
Intuit	8.00	7.00	7.50	7.50	+0.50
VisiCalc	7.00	6.00	6.50	6.50	+0.50
Excel	6.00	5.00	5.50	5.50	+0.50
WordPerfect	5.00	4.00	4.50	4.50	+0.50
Corel	4.00	3.00	3.50	3.50	+0.50
Parsons	3.00	2.00	2.50	2.50	+0.50
Spelling	2.00	1.00	1.50	1.50	+0.50
Turner	1.00	0.50	0.75	0.75	+0.25
Warner	0.50	0.25	0.375	0.375	+0.125
Time Warner	0.25	0.125	0.1875	0.1875	+0.0625
Amgen	0.125	0.0625	0.09375	0.09375	+0.03125
Boehringer	0.0625	0.03125	0.046875	0.046875	+0.015625
Novartis	0.03125	0.015625	0.0234375	0.0234375	+0.0078125
Roche	0.015625	0.0078125	0.01171875	0.01171875	+0.00390625
Sandoz	0.0078125	0.00390625	0.005859375	0.005859375	+0.001953125
Novartis	0.00390625	0.001953125	0.0029296875	0.0029296875	+0.0009765625
Roche	0.001953125	0.0009765625	0.00146484375	0.00146484375	+0.00048828125
Sandoz	0.0009765625	0.00048828125	0.000732421875	0.000732421875	+0.000244140625
Novartis	0.00048828125	0.000244140625	0.0003662109375	0.0003662109375	+0.0001220703125
Roche	0.000244140625	0.0001220703125	0.00018310546875	0.00018310546875	+0.00006103515625
Sandoz	0.0001220703125	0.00006103515625	0.0000915791015625	0.0000915791015625	+0.000030517578125
Novartis	0.00006103515625	0.000030517578125	0.000045789375	0.000045789375	+0.0000152587890625
Roche	0.000030517578125	0.0000152587890625	0.0000228946875	0.0000228946875	+0.00000762939453125
Sandoz	0.0000152587890625	0.00000762939453125	0.0000116953125	0.0000116953125	+0.00000383059375
Novartis	0.00000762939453125	0.00000383059375	0.000005846875	0.000005846875	+0.00000191529375
Roche	0.00000383059375	0.00000191529375	0.0000029296875	0.0000029296875	+0.0000009578125
Sandoz	0.00000191529375	0.0000009578125	0.000001446875	0.000001446875	+0.00000047890625
Novartis	0.0000009578125	0.00000047890625	0.0000007234375	0.0000007234375	+0.000000239453125
Roche	0.00000047890625	0.000000239453125	0.000000361953125	0.000000361953125	+0.0000001197265625
Sandoz	0.000000239453125	0.0000001197265625	0.00000018146875	0.00000018146875	+0.0000000598125
Novartis	0.0000001197265625	0.0000000598125	0.00000009109375	0.00000009109375	+0.00000002990625
Roche	0.0000000598125	0.00000002990625	0.000000045796875	0.000000045796875	+0.00000001496875
Sandoz	0.00000002990625	0.00000001496875	0.0000000228984375	0.0000000228984375	+0.000000007484375
Novartis	0.00000001496875	0.000000007484375	0.0000000116953125	0.0000000116953125	+0.0000000037421875
Roche	0.000000007484375	0.0000000037421875	0.000000005846875	0.000000005846875	+0.00000000187109375
Sandoz	0.0000000037421875	0.00000000187109375	0.0000000029296875	0.0000000029296875	+0.000000000935546875
Novartis	0.00000000187109375	0.000000000935546875	0.00000000146484375	0.00000000146484375	+0.00000000047890625
Roche	0.000000000935546875	0.00000000047890625	0.000000000732421875	0.000000000732421875	+0.000000000239453125
Sandoz	0.00000000047890625	0.000000000239453125	0.0000000003662109375	0.0000000003662109375	+0.0000000001197265625
Novartis	0.000000000239453125	0.0000000001197265625	0.00000000018310546875	0.00000000018310546875	+0.0000000000598125
Roche	0.0000000001197265625	0.0000000000598125	0.0000000000915791015625	0.0000000000915791015625	+0.00000000002990625
Sandoz	0.0000000000598125	0.00000000002990625	0.000000000045789375	0.000000000045789375	+0.00000000001496875
Novartis	0.00000000002990625	0.00000000001496875	0.0000000000228946875	0.0000000000228946875	+0.000000000007484375
Roche	0.00000000001496875	0.000000000007484375	0.0000000000116953125	0.0000000000116953125	+0.0000000000037421875
Sandoz	0.000000000007484375	0.0000000000037421875	0.000000000005846875	0.000000000005846875	+0.00000000000187109375
Novartis	0.0000000000037421875	0.00000000000187109375	0.0000000000029296875	0.0000000000029296875	+0.000000000000935546875
Roche	0.00000000000187109375	0.000000000000935546875	0.00000000000146484375	0.00000000000146484375	+0.00000000000047890625
Sandoz	0.000000000000935546875	0.00000000000047890625	0.000000000000732421875	0.000000000000732421875	+0.000000000000239453125
Novartis	0.00000000000047890625	0.000000000000239453125	0.0000000000003662109375	0.0000000000003662109375	+0.0000000000001197265625
Roche	0.000000000000239453125	0.0000000000001197265625	0.00000000000018310546875	0.00000000000018310546875	+0.0000000000000598125
Sandoz	0.0000000000001197265625	0.0000000000000598125	0.0000000000000915791015625	0.0000000000000915791015625	+0.00000000000002990625
Novartis	0.0000000000000598125	0.00000000000002990625	0.000000000000045789375	0.000000000000045789375	+0.00000000000001496875
Roche	0.00000000000002990625	0.00000000000001496875	0.0000000000000228946875	0.0000000000000228946875	+0.000000000000007484375
Sandoz	0.00000000000001496875	0.000000000000007484375	0.0000000000000116953125	0.0000000000000116953125	+0.0000000000000037421875
Novartis	0.000000000000007484375	0.0000000000000037421875	0.000000000000005846875	0.000000000000005846875	+0.00000000000000187109375
Roche	0.0000000000000037421875	0.00000000000000187109375	0.0000000000000029296875	0.0000000000000029296875	+0.000000000000000935546875
Sandoz	0.00000000000000187109375	0.000000000000000935546875	0.00000000000000146484375	0.00000000000000146484375	+0.00000000000000047890625
Novartis	0.000000000000000935546875	0.00000000000000047890625	0.000000000000000732421875	0.000000000000000732421875	+0.000000000000000239453125
Roche	0.00000000000000047890625	0.000000000000000239453125	0.0000000000000003662109375	0.0000000000000003662109375	+0.0000000000000001197265625
Sandoz	0.000000000000000239453125	0.0000000000000001197265625	0.00000000000000018310546875	0.00000000000000018310546875	+0.0000000000000000598125
Novartis	0.0000000000000001197265625	0.0000000000000000598125	0.0000000000000000915791015625	0.0000000000000000915791015625	+0.00000000000000002990625
Roche	0.0000000000000000598125	0.00000000000000002990625	0.000000000000000045789375	0.000000000000000045789375	+0.00000000000000001496875
Sandoz	0.00000000000000002990625	0.00000000000000001496875	0.0000000000000000228946875	0.0000000000000000228946875	+0.000000000000000007484375
Novartis	0.00000000000000001496875	0.000000000000000007484375	0.0000000000000000116953125	0.0000000000000000116953125	+0.0000000000000000037421875
Roche	0.000000000000000007484375	0.0000000000000000037421875	0.000000000000000005846875	0.000000000000000005846875	+0.00000000000000000187109375
Sandoz	0.0000000000000000037421875	0.00000000000000000187109375	0.0000000000000000029296875	0.0000000000000000029296875	+0.000000000000000000935546875
Novartis	0.00000000000000000187109375	0.000000000000000000935546875	0.00000000000000000146484375	0.00000000000000000146484375	+0.00000000000000000047890625
Roche	0.000000000000000000935546875	0.00000000000000000047890625	0.000000000000000000732421875	0.000000000000000000732421875	+0.000000000000000000239453125
Sandoz	0.00000000000000000047890625	0.000000000000000000239453125	0.0000000000000000003662109375	0.0000000000000000003662109375	+0.0000000000000000001197265625
Novartis	0.000000000000000000239453125	0.0000000000000000001197265625	0.00000000000000000018310546875	0.00000000000000000018310546875	+0.0000000000000000000598125
Roche	0.0000000000000000001197265625	0.0000000000000000000598125	0.0000000000000000000915791015625	0.0000000000000000000915791015625	+0.00000000000000000002990625
Sandoz	0.0000000000000000000598125	0.00000000000000000002990625	0.000000000000000000045789375	0.000000000000000000045789375	+0.00000000000000000001496875
Novartis	0.00000000000000000002990625	0.00000000000000000001496875	0.0000000000000000000228946875	0.0000000000000000000228946875	+0.000000000000000000007484375
Roche	0.00000000000000000001496875	0.000000000000000000007484375	0.0000000000000000000116953125	0.0000000000000000000116953125	+0.0000000000000000000037421875
Sandoz	0.000000000000000000007484375	0.0000000000000000000037421875	0.000000000000000000005846875	0.000000000000000000005846875	+0.00000000000000000000187109375
Novartis	0.0000000000000000000037421875	0.00000000000000000000187109375	0.0000000000000000000029296875	0.0000000000000000000029296875	+0.000000000000000000000935546875
Roche	0.00000000000000000000187109375	0.000000000000000000000935546875	0.00000000000000000000146484375	0.00000000000000000000146484375	+0.00000000000000000000047890625
Sandoz	0.000000000000000000000935546875	0.00000000000000000000047890625	0.000000000000000000000732421875	0.000000000000000000000732421875	+0.000000000000000000000239453125
Novartis	0.00000000000000000000047890625	0.000000000000000000000239453125	0.0000000000000000000003662109375	0.0000000000000000000003662109375	+0.0000000000000000000001197265625
Roche	0.000000000000000000000239453125	0.0000000000000000000001197265625	0.00000000000000000000018310546875	0.00000000000000000000018310546875	+0.0000000000000000000000598125
Sandoz	0.0000000000000000000001197265625	0.0000000000000000000000598125	0.0000000000000000000000915791015625	0.0000000000000000000000915791015625	+0.00000000000000000000002990625
Novartis	0.0000000000000000000000598125	0.00000000000000000000002990625	0.000000000000000000000045789375	0.000000000000000000000045789375	+0.00000000000000000000001496875
Roche	0.00000000000000000000002990625	0.00000000000000000000001496875	0.0000000000000000000000228946875	0.0000000000000000000000228946875	+0.000000000000000000000007484375
Sandoz	0.00000000000000000000001496875	0.000000000000000000000007484375	0.0000000000000000000000116953125	0.0000000000000000000000116953125	+0.0000000000000000000000037421875
Novartis	0.000000000000000000000007484375	0.0000000000000000000000037421875	0.000000000000000000000005846875	0.000000000000000000000005846875	+0.00000000000000000000000187109375
Roche	0.0000000000000000000000037421875	0.00000000000000000000000187109375	0.0000000000000000000000029296875		

AMERICA

Dow eases as investors focus on next quarter

Wall Street

WITH NO dramatics overnight on Japanese markets and with the first quarter coming to an end, US equities traded in a tight range yesterday but tended to drift lower, writes Janet Bush in New York.

At 1 pm, the Dow Jones Industrial Average was 8.11 lower at 2,699.55 on modest volume of 64m shares. On Monday, the Dow had risen 3.38 to 2,707.93 after jumping 20 points in reaction to the second largest rally ever in Tokyo, only to fall back to close with a very modest gain in the second slowest day of trading since the start of the year.

The market was concerned about the next round of quarterly earnings results and volume was not expected to pick up, as any end-of-quarter buying by institutional portfolio managers had probably been completed.

The only economic figures of any note are today's revisions for fourth quarter gross national product which are not likely to inspire much interest. The financial markets are much more concerned about the performance of the economy this month, given that the

outlook for monetary policy appears to be finely balanced.

The Federal Open Market Committee, which sets a target for the Federal Funds rate, started its regular meeting yesterday to review its monetary stance. There appears to be a consensus that the Fed will leave monetary policy unchanged until it has seen the economic evidence for March.

Trading was dull in the Treasury bond market as well. At mid-session, the Treasury's benchmark long bond was quoted 1/4 point lower for a yield of 8.49 per cent.

Among featured stocks was American Express, which dropped 3/4 to \$26. The company said that it had signed a definitive merger agreement to purchase Shearson Lehman Hutton, but that each Shearson common share would now be converted to 0.48 of a share of American Express instead of 0.426 of a share previously announced. Shearson added 3/4 to \$24.

Circle K fell 1/4 to \$11. The company said that it was not in compliance with certain financial covenants and was holding debt restructuring talks with its lenders. It also announced a loss of 69 cents a

share for the fiscal quarter ended January.

JP Industries gained 3/4 to \$16. T&N of Britain identified itself as the bidder for the company, which said that it had agreed in principle to be acquired for \$17.30 a share.

Bally Manufacturing added \$1 to \$13 on a US press report that Mr Arthur Goldberg, the investor, had bought about \$12m worth of the company's common shares, or about 4.5 per cent.

Gold mining companies were mixed, falling to recover convincingly from their sharp losses on Monday on a plunge in the gold price. Homestake Mining added 3/4 to \$17.74, while Newmont Gold slipped another 3/4 to \$46.

Canada

A SLIGHT rebound by gold stocks was unable to prevent an opening fall in Toronto share prices in featureless trading. The composite index fell 4.0 to 3,668.5 on volume of 3.8m shares. Declines led advances by 120 to 104.

Among gold shares, American Barrick rose 3/4 to \$21.14, Placer Dome gained 3/4 to \$20 and Corona added 3/4 to \$39.74.

of 3,949.73 achieved just before the 1987 world markets crash.

Yesterday, in the absence of a fresh impetus, the market closed at 3,010.25 after rising to 3,027 in early trading. Volume remained high at HK\$1.67bn.

Few analysts were prepared yesterday to forecast the market's movements in the near future, although it was generally accepted that the important 3,000 level had switched from being a barrier to form an important support level.

Technical analysis shows that 2,300 is not impossible, but I can't see it rushing up to 3,500 or 3,700," said Mr Chris Chong, a James Capel analyst. "It's perfect as it is," said Mr Richard Witts, managing director of Schroders Securities, of yesterday's performance. "If it went up too fast, there would be a spate of selling."

Many have been pouring in from the UK, other parts of Europe and the US and it was this that pushed the index

through 3,000, with locals following on. "Overseas fund managers are underweight in Hong Kong, and worried that they don't have enough stock for the moment when it rises," said Mr Witts.

Most analysts agree that Hong Kong stocks are seriously under-valued, trading at considerable discounts to market values. However, Mr Barry Yates, research director of First Pacific Securities, strikes a more bearish note, based partly on worries about Hong Kong's tight liquidity and rising costs. "I don't accept the cheap market argument because there could be a downturn in profits, especially in the property sector," he says.

Another worry is the colony's economic growth, which fell to 2.5 per cent last year, according to provisional government estimates. It is widely believed to have been stagnant, or even marginally negative, in the first quarter of this year. A

pick-up is generally expected in the second half of the year, although that will depend on sluggish exports increasing in world markets.

For the past few days, however, the market has been focusing on the good short-term news, in the current spate of annual results. It has also been enjoying a respite from Tokyo gloom, which stunted its last attempt at a substantial recovery in early February.

China has also helped. "There is the news that Peking is sending its students home on holiday early to avoid demonstrations on key anniversaries in the next few weeks, plus the news that it is pumping money into the economy," says Mr Stewart Cook, head of research at Barings Securities. His colleague, Mr James Osborn, a Barings assistant director, makes the same point in a different way. "People seem to want to look at any news from China as good."

And industrial stocks such as Pacific Concord, Thomson and Asia Commercial, although not into index-moving blue chips.

But with other Asian markets proving less attractive, there has been recent buying from the UK, other parts of Europe and the US and it was this that pushed the index

and Y1.100, respectively. Special incentive stocks were pursued in Osaka, where the OSE average rallied strongly, posting a \$4.00-point gain to \$5,409.08. Volume, however, sank to 78m shares from the 317m traded on Monday.

Roundup
TOKYO's volatility and volatile gold prices contributed to declines in the Pacific Basin yesterday but volumes were thin.

AUSTRALIA finished mixed, as mining and gold stocks fell sharply while industrial shares recovered from early lows as Tokyo straggled.

The All Ordinaries index lost 8.6 to 1,558.5 and the gold index dropped 82.3 to 1,623.3, after reaching a low of 1,608.7. Volume rose but was still quiet at 77m shares worth \$516.2m.

News that South Korea's gross national product grew 6.7 per cent last year, the highest rate of real growth since 1982, also hurt sentiment.

NEW ZEALAND advanced in very quiet trading, with the Barclays index up 37.89 at 1,761.65 as volume shrank to 4.6m shares from Monday's

6.4m. Among blue chips, Brierley Investments gained 5 cents to NZ\$1.58. TV3 Network jumped 25 cents to 85 cents after the Government suggested on Monday that it would allow foreign ownership of 25 per cent.

KUALA LUMPUR was unsettled by Tokyo's volatility and the composite index fell 2.99 to 588.8. Traders noted that daily turnover rose to 26 cents or about 100m shares from recent levels of only 60m shares as investors diverted funds from Tokyo.

SINGAPORE was also put on the defensive by Tokyo but saw some erratic buying interest for blue chips. The preliminary Straits Times Industrial index rose 3.04 to 1,677.12, but volume fell to 99.5m shares from 128.5m on Monday.

TAIWAN fell in uncertain trading on continued concern about high domestic interest rates and the outflow of funds from the market. Daily turnover shrank to the lowest level this year at NT\$81.9m, down from Monday's NT\$95.33m. The weighted index lost 139.7 to 10,498.31, wiping out half of Monday's gains.

EUROPE

Special situations provide interest in general hiatus

BOURSES EASED in generally thin trading but individual stocks continued to catch the eye, writes Janet Bush in New York.

FRANKFURT followed its slightly positive improvement on Monday, when some blue chips looked nervous, with a move into reverse. After rises in the pre-market of about DM2 DM3, the market was easing with a 1.54 decline to 815.65 in the FAZ index at mid-session.

By the close, this had stretched to a 14.55 fall to 1,294.98 in the DAX. Volume fell from DM4.7bn to DM3.8bn. Dealers talked of selling orders, including instructions from Japan, pointing to a DM11.60 fall to DM791.20 in Siemens and, more particularly, to a Deutsche Bank drop from DM620 in the pre-market to DM520 after an hour's trading.

In steel, Thyssen came back again, by DM4.50 to DM315.50. However, dealers pointed out that it went ex DM10 dividend on Monday, so that day's net fall was only DM2. Similarly, Allianz rose 1.50 yesterday and its net fall was DM32 to DM2,535.

Preussag rose another DM5.50 to DM467. There was a story that Nixdorf is to be extracted from the DAX index as it comes under the control of Siemens and that Preussag, greatly expanded by its own takeover of the Salzgitter steel group, has been chosen to replace it.

PARIS declined in low volume, with Paribas, once again, one of the few stocks to show much activity. The CAC 40 index lost 18.20 to 1,945.96 in turnover estimated at FF1.5bn after Monday's FF2.1bn.

Paribas, which is holding a board meeting today, fell FF4 to FF384 with 216.65 shares traded, including one block of 400,000. Assurances Generales de France, the state-controlled insurer and an ally of Paribas, said that it had raised its stake from 5 per cent to 9 per cent over the last few days.

The market welcomed news that Dumez, the construction group, was selling its 12 per cent stake in Transnuc, the nuclear power plant builder, to CGE. Dumez rose to FF920, before closing at FF900, up FF11, while CGE slipped FF4 to FF757.

St. Romain, the ski resort, was the star of Monday's trading that it expected an annual net loss of FF110m to FF15m.

MILAN edged up in thin trading, beginning to be cautious before the administrative elections in May, which will reveal the coalition government's popularity. The Comit index rose 0.26 to 675.01. Local brokers expected volumes to shrink further as the elections drew closer.

Latina, the insurance company, was the star of Monday's trading. The stock rose L150 to L15,700. Montedison and Enimont also finished higher on optimism about the coal industry, the state and Montedison regarding control of Enimont. Montedison added L29 to L1,539 and Enimont rose L20 to L1,450.

AMSTERDAM was generally easier but Amro Bank and ABN firms, on their merger plans, Amro rose FF1.50 to FF1.90 and ABN added 10 cents to FF40.20. The CBS tendency index dropped 0.8 to 115.2 in low volume.

VMF Stork, the machinery producer, was 10 cents higher at FF40.50 before reporting 1989 net profits up 40.6 per cent to FF191.6m, and predicting a further rise in earnings in 1990. But the airline, KLM, lost FF1.20 to FF36.50 following statements by the Mr Jan de Geest chairman that the profits outlook was worsening.

ZURICH saw higher domestic interest rates and a weak showing in Frankfurt, and the Credit Suisse index fell 9.2 to 582.0. After hours, Fargesa said that its net profit for 1989 had

fallen from SF1.60m to SF1.4m, following its decision to write off the entire cost of its indirect 18 per cent stake in Drexel Burnham Lambert, the US investment bank, at a cost of SF720m. Pagesa held its dividend at SF65 a share.

MADRID eased after the previous day's rise, with the general index down 0.45 to 2,581.3. Repsol, the oil conglomerate, eased Ptas3 to Ptas2.95 by the close of pit trading, before rising to Ptas2.97 in continuous trading after reporting a 15 per cent rise in 1989 net profits.

VIENNA retreated in active trading as local and foreign investors took profits. The bourse index fell below the 700 level to 687.15, down 23.59, in a session extended by one hour. OEFV, the state-controlled oil company, dropped Sch1.00 to Sch1.20 and Montana, the holding company, lost Sch4.00 to Sch9.00. Landestank preference shares fell Sch40 to Sch1.290.

OSLO edged higher in trading dominated by Nura Industries, the food and drinks company. The all-share index rose 0.62 to 699.93 in turnover of Nkr497m, Nkr492m of which was accounted for by the sale of 10.9 per cent of Nura stock by Kinnevik, the Swedish investment company. Nura gained Nkr25 to Nkr320.

BRUSSELS was fairly flat, with the cash market index up 7.06 at 6,142.03. Groupe AG, the insurer, jumped 6.7 per cent on the forward market to Bfr11.100 on takeover speculation. STOCKHOLM was little changed in thin trading, with the Affarsvarlden General index up 0.9 at 1,483.3. There was some bargain-hunting in forestry stocks.

COPENHAGEN rose as firm local bond prices boosted banking shares, with the index rising 1.41 to 379.81, while HELSINKI fell after a rise in short-term interest rates. The Unites all-share index fell 1.9 at 696.0.

Tokyo

TRADING WAS volatile yesterday, as investors were torn between a fresh surge of buying interest and concern over further yen weakness. The Nikkei index closed with a minimal loss, while the broader based Topix index posted a firm gain, writes Michelle Nakamoto in Tokyo.

The Nikkei finished 14.53 down at 31,625.96, although there was widespread buying and 681 stocks rose, against 250 declining and 71 unchanged. Reflecting that trend, the Topix index gained 25.45 to 3,238.08.

The market had opened on a positive tone, supported by institutional investors on the first trading day for delivery in the new fiscal and business year. But the Nikkei fell back sharply by midday, before resurging, rising above the 32,000 level at one stage.

The day's high was 32,164.36 and the low was 31,367.62. Turnover slipped to 690m shares from the 710m traded on Monday. In London, trading the JSE/Nikkei 50 index fell 6.88 to 1,735.79.

The last days of March have encouraged investors to buy before an expected increase in demand when the new business year begins in April. Enthusiasm was tempered, however, by a sharp drop in the yen, which sent bond prices plunging and triggered index-linked selling in equities.

The yen fell below 1157 against the dollar for the first time in more than three years. Concern about higher interest rates remained. However, the Bank of Japan was expected to keep a lid on interest rates, said Mr Charles Lambert at Jardine Fleming. Talk of the Finance Ministry's official discount rate had not disappeared, but fears of an imminent rise had receded.

Investors had opted to buy selectively, looking for either

SOUTH AFRICA

JOHANNESBURG recovered part of Monday's losses as the gold bullion prices steadied, and the financial markets fell sharply on political violence in the townships. The JSE Gold index reconquered 37 to 1,918 after Monday's 151-point drop and the overall share index rose 33 to 3,196. Vaal Reefs added 85 to R397 after falling R39 on Monday.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY MARCH 26 1990					FRIDAY MARCH 23 1990					DOLLAR INDEX	
	US Dollar	Day's Change	Pound Sterling	Local Currency	Day's change % local currency	US Dollar	Day's Change	Pound Sterling	Local Currency	Day's change % local currency	1989/90	1988/89
Figures in parentheses show number of stocks per grouping												
Australia (82)	137.18	+0.0	125.98	122.05	+0.0	5.65	137.21	126.78	122.10	180.41	128.28	138.13
Austria (19)	274.19	-2.0	251.87	244.22	-1.5	1.09	270.89	258.44	247.93	285.63	32.84	107.04
Belgium (61)	145.11	-0.3	133.29	127.21	-0.1	4.40	145.61	134.55	127.30	180.02	126.58	129.49
Canada (120)	140.94	-0.6	129.47	119.57	-0.6	3.35	141.83	131.05	120.67	154.17	124.67	139.29
Denmark (36)	255.80	+0.4	234.78	228.92	+0.3	1.41	254.48	235.13	228.17	290.82	185.36	188.09
Finland (26)	140.70	-1.3	129.24	119.22	-1.0	2.50	142.56	131.72	120.46	159.16	118.63	144.41
France (125)	151.76	+1.1	139.40	137.41	+1.2	2.77	150.15	138.74	135.72	157.97	112.57	114.69
West Germany (98)	133.35	-0.4	122.63	119.01	+0.6	1.79	133.05	122.94	115.57	147.01	78.55	82.52
Hong Kong (48)	124.03	+1.3	113.94	124.42	+1.3	4.82	122.48	113.17	122.65	148.83	86.41	123.63
Ireland (17)	185.43	+0.3	170.33	168.41	+0.9	2.50	184.81	177.67	168.57	198.57	126.00	141.09
Italy (61)	95.22	+0.6	87.47	88.57	+0.7	2.57	94.77	87.57	88.07	102.11	74.97	80.62
Japan (456)	142.47	+3.6	190.97	140.61	+5.5	0.58	137.29	128.26	138.55	220.17	133.57	90.90
Malaysia (36)	232.46	+0.2	213.54	214.15	+0.3	0.17	232.09	214.48	243.51	245.32	143.35	161.86
Mexico (13)	381.41	-1.3	350.98	117.22	-1.1	0.46	388.29	368.94	1170.11	409.41	153.32	167.22
Netherlands (43)	138.17	+0.9	126.82	121.56	+1.2	4.29	138.93	128.49	121.27	145.86	110.69	115.37
New Zealand (17)	60.47	+0.4	62.54	55.29	-0.2	4.45	60.44	55.85	55.41	68.16	60.44	70.87
Norway (24)	235.10	+0.9	219.63	214.68	+1.1	1.58	237.35	218.87	212.25	245.00	136.82	170.08
Singapore (26)	197.12	+1.7	181.08	171.01	+1.8	1.07	199.88	179.15	167.92	199.38	124.57	147.84
South Africa (60)	194.11	-4.9	178.30	183.19	+4.0	3.62	204.15	188.64	168.99	267.39	115.26	141.41
Spain (43)	138.57	+1.1	125.21	116.78	+1.1	4.62	138.01	127.53	114.48	169.75	138.01	145.56
Sweden (35)	178.79	-0.3	162.40	161.68	+0.0	2.42	177.23	169.77	161.62	208.95	138.45	157.03
Switzerland (62)	89.18	-0.7	81.82	84.53	+0.0	2.25	89.82	83.00	84.51	98.12	67.61	74.26
United Kingdom (306)	148.95	+1.1	137.75	137.75	+0.5	4.78	148.35	137.08	137.07	164.31	133.28	146.83
USA (540)	137.03	+0.5	125.55	125.55	+0.5	3.49	138.33	125.97	136.93	146.29	112.13	118.05
Europe (688)	138.86	+0.7	127.84	125.39	+0.6	3.50	137.98	127.48	124.80	148.86	112.63	117.43
Nordic (121)	138.30	+0.5	127.55	125.13	+0.6	1.91	138.57	127.43	125.22	154.72	133.29	149.39
Pacific Basin (865)	141.59	+3.5	130.06	130.38	+5.1	0.89	139.78	126.37	132.62	154.72	133.29	178.57
UK - Pacific (1654)	140.87	+2.4	129.41	134.29	+3.3	1.94	137.60	127.15	130.03	174.18	136.48	162.83
North America (650)	137.17	+0.4	126.00	135.94	+0.4	3.49	136.56	126.19	135.33	148.66	112.79	118.96
Europe Ex. UK (853)	130.63	+0.5	119.59	117.51	+0.7	2.71	130.02	120.15	116.73	135.73	96.30	92.25
Pacific Ex. Japan (210)	130.37	+0.5	119.75	119.49	+0.5	4.92	129.68	119.82	116.65	140.05	111.93	129.38
World Ex. US (1847)	141.53	+2.2	130.70	134.42	+3.0	2.00	138.52	128.00	130.46	173.77	136.48	162.04
World Ex. UK (2081)	137.78	+1.6	126.58	134.90	+2.3	2.27	135.55	125.25	131.82	162.00	134.02	138.05
World Ex. So. Am. (2327)	138.62	+1.7	127.24	134.94	+2.6	4.00	135.25	125.91	132.01	161.84	134.71	138.82
World Ex. Japan (1532)	138.39	+0.5	127.12	132.38	+0.5	3.55	137.74	127.27	131.73	145.52	114.51	119.03
The World Index (2387)	138.85	+1.6	127.55	135.13	+2.2	2.61	136.67	126.29	132.27	162.05	135.13	138.85

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